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EDITORIAL

As We See It

All attempts to force an analogy between pensions and depreciation charges must fail under analysis. The truth is much more easily reached by direct and simple application of common sense.

A valued friend, a professor in one of our universities, writes:

"Since I use the Thursday issues of your 'Chronicle' as part of the required reading in my senior classes in current economic problems, I naturally take a great interest in the educational effect of that paper. Hence I am venturing to suggest a topic which I should like to see developed in one of your editorials.

"That topic is the fallacy of the analogy which is currently and persistently being drawn between capital consumption allowances (depreciation, etc.) and old age pensions for industrial workers. That analogy is entirely fallacious, because capital consumption allowances are not used to provide 'perpetual care' for worn-out capital equipment.

"A truer analogy would, of course, be that between capital consumption allowances and financial contributions made by business firms towards defraying the costs of the health, education and training services required to bring young recruits into the labor force. Since business firms normally make that kind of contributions (through taxation and other means), it appears to me that spokesmen for industry are losing this particular propaganda battle by default.

"Now any businessman undoubtedly understands the fallaciousness of the propaganda argument to which I refer. But what interests me is the effect on my students of never seeing that

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Factors in Next Decade's Business

By SUMNER H. SLICHTER*
Lamont University Professor
Harvard University

Harvard economist foresees, among other things, as factors in long-term business trend: (1) increase of population by 12 million and labor force by 6 million; (2) decline in marriage rate; (3) intensification of cold war; (4) heavier maturities of savings bonds; (5) increasing farm surpluses; (6) heavy government outlays for roads, schools and improvements; and (7) continuation of high taxation along with increase in government and private indebtedness. Looks for continued trade union growth and moderate rise in wages.

The decade of the '50's in the United States will be a period of substantial expansion of production and employment. Expansion will probably not be as rapid as during the '40's, and it will undoubtedly be interrupted from time to time by contraction of output and employment. Such recessions as occur, however, are not likely to be severe—at least some years will be required to build up the conditions for a severe depression. The continuation and intensification of the cold war will limit any drop in business. So also will the large expenditures of state and local governments on schools, roads, hospitals, and other public works.

Prof. S. H. Slichter

The continued expansion of industrial research assures that output per manhour will rise, that the quality of goods will improve, and that a considerable number of new products will be made available for consumers. The prospect that individuals and government will be willing to go into debt in order to increase their expenditures indicates that the increase in expenditures ought to be substantial. Several years before the end

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*Summary of an address by Dr. Slichter before the Savings Bank Association of Massachusetts, Boston, Mass., May 25, 1950.

Equity Values Today

By HOWARD F. VULTEE
Vice-President, The Marine Midland Trust Co., of New York

Eminent investment expert asserts current rise is based on reappraisal of previously undervalued securities rather than rising earnings or business activity. Says decisive bullish elements in market are: starvation rates on fixed-income securities, impressive earnings and balance sheet progress, abundant money supply, and desire for protection from shrinking dollar — all stimulating long-term trend toward common stock buying.

My theme a year ago was in the direction of "what more does the investor want?" I endeavored to point out the outstanding values available in the equity markets, and I showed that "common stocks with all their shortcomings had been a much sounder place for savings than cash or bonds. I stated that "when the visibility cleared up the investor would see values that were irresistible and that a buying stampede would result."

Howard F. Vultee

As measured by the Standard Statistics 365 Industrial Stock Index, common stock prices have risen from 116 in June 1949, to the recent level of 154, which compares with the 1946 high of 162. However, I should point out that there is quite a difference in the composition of the market between 1946 and today, and to this extent the averages are quite misleading. This is well illustrated by the Standard Statistics Low Price Common Stock Index which stands at about 164, compared with the February 1946 high of 316, and the 1946-49 low of 102, which was reached in June 1949. The market price of the shares of many smaller or marginal companies are still greatly below levels reached in the speculative exuberance of 1946, and many companies and industries that were doing well in 1946 have been replaced by other companies and industries, as the shifting emphasis of the economy finds reflection in their earnings and prospects.

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PICTURES taken at the recent Annual Meeting of the Texas Group of the Investment Bankers Association at San Antonio appear on page 17.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

AMOS B. HOSTETTER

Security Analyst, Hardy & Co., New York City

Members of the New York Stock and Curb Exchanges

(American Cyanamid 3½% Cumulative Preferred Stock)

The security I like best is American Cyanamid 3½% Cumulative Preferred Stock, Series B, convertible into common stock at $72 a share. This issue is currently being offered to the company's common stockholders at $102 a share in the ratio of one share of preferred for each seven shares of common held. The preferred stock will soon be listed on the New York Stock Exchange. At the present time it can be purchased over-the-counter (around 108-109) or created through the purchase of rights which expire June 2, 1950.

Amos B. Hostetter

American Cyanamid is the fourth largest chemical concern in the country. It operates 37 plants and manufactures a widely diversified line of chemical, pharmaceutical and other allied products. It also maintains a research laboratory in which it spends over $10,000,000 a year ($3 per share) on product development. Such expenditure is evidence of aggressive management. Du Pont claims that half of their sales is in products which did not exist ten years ago. It is not known whether the same is true of American Cyanamid, but sales have shown a steady annual growth and are now three times greater than the 1940 rate of $88,000,000.

It is not my intention to list the great variety of products manufactured by the company and its subsidiaries, but no discussion of American Cyanamid, however brief, would be complete without mention of the wonder drug, aureomycin. Of the ten groups into which the company's products fall, the recent prospectus places pharmaceuticals in the top spot. The company's wholly owned subsidiary, Lederle Laboratories, has long been a major factor in this field. In December, 1948, Lederle introduced the antibiotic, aureomycin—the most spectacular of the wonder drugs to appear since penicillin. Aureomycin attacks many diseases caused by microscopic near-virus germs which penicillin will not touch. In fact, the range of diseases which it attacks has grown so wide that where time or facilities are not available for complete diagnosis, many doctors use both penicillin and aureomycin, in the knowledge that these drugs will hit most of of the germs that might be causing the trouble.

Sales volume of aureomycin is not revealed by the company, but "guesses" in the trade are that the annual rate runs from $40 to $50 million. Two price cuts have been made this year, but these probably have been offset by increased production. Aureomycin is still relatively expensive. A 250-milligram dose sells for about 60c and several must be taken daily. When penicillin first reached the market in 1943, it sold for about $20 a dose; today, the same amount sells for four cents. However, unlike penicillin, aureomycin is exclusive with Lederle and is covered by a patent which does not expire until 1966. Price is a matter for the company to determine, since competition can come only from other drugs as they are developed.

Another activity which holds great promise for the future is that of synthetic fibres. It is claimed that Du Pont's new fibre "Orlon," has all the characteristics of wool and is, in some respects, superior to it. American Cyanamid is the only major producer of acrylonitrile, the raw material for Orlon and other synthetic fibres. Part of the present expansion program is to increase the output of this basic raw material, as Du Pont is scheduled to commence commercial production of Orlon this summer.

In attempting to project a value for the common stock, let us assume complete conversion of the series A and B preferred stocks. The company would then have outstanding 4,360,000 common shares. For the first quarter of 1950 consolidated net earnings, plus undistributed earnings of companies not consolidated, amounted to $9,560,995. This is at the annual rate of $8.77 a share on a full conversion basis. If allowance is made for only modest earnings on the $50,000,000 which is to be used for plant expansion, it is reasonable to anticipate earnings of $10 a share on the common.

Below is a list of six companies which are somewhat comparable to American Cyanamid, giving their latest 12 months' share earnings, approximate market prices and price-earnings ratios:

	Latest 12 Mos. Share Earns.	Approximate Mkt. Price	Price-Earnings Ratio (Times)
Dow Chemical	$4.60	71	15.4
Merck & Co.	2.83	51	18.0
Monsanto Chem.	4.03	65¾	16.3
Parke Davis & Co.	2.80	41⅜	14.8
Chas. Pfizer	4.70	75¼	16.0
Union Carbide	3.30	50⅞	15.4
Average price-earnings ratio			16.0

With this group showing an average price-earnings ratio of 16.0, a ratio of 12.0 could conservatively be applied to American Cyanamid's projected earnings of $10 per share. This would place an objective on the common stock of 120 and on the preferred series B of 167.

In my opinion, the reason American Cyanamid common has not already come closer to this objective is technical and not fundamental. The "old" convertible preferred (series A, convertible at $42.50), as well as the current issue (series B), has acted as a brake on the market and prevented an immediate discounting of the improvement that has been shown in the affairs of the company. Between Jan. 1 and May 16, 1950, there has been an increase in the common stock outstanding of 693,364 shares (approximate market value of nearly $50,000,000). This has been brought about mainly by conversions of the "old" preferred. As some of this was sold from trusts and other funds which did not care to hold common stocks, the net result was to throw at least part of this sizable amount on the open market, which has moderated the upward movement of the common stock.

In addition, the announcement several weeks ago of the present $50,000,000 of series B convertible preferred has tended to stop the move in the common. It is this technical situation which affords so much attraction to the present issue. The conversion price on the new preferred is practically at the market and an opportunity is thereby afforded by buying the new series B issue to share, with a minimum of risk, any further rise that may be in store for the common.

This Week's Forum Participants and Their Selections

JAMES F. MILHOUS

President, Milhous, Martin & Co., Atlanta, Ga.

(Colonial Stores, Inc. Common)

Over a period of time beginning with the days of Adam, people have acquired the rather expensive habit of eating—regularly, if possible. If the residents of Virginia, North and South Carolina, Georgia, Alabama and Florida, persist in their demand for food, Colonial Stores is always ready, able and willing to serve them. Serving a growing section of the country, Colonial operates a chain of cash-and-carry grocery stores and has been a leader in the trend toward super-markets. It operated 552 stores in 1940 and total sales were $46,238,373. Sales for 1949 were $168,558,369 with 373 stores, but 275 of these were super-markets. Stockholders have participated in this growth as dividends on the common stock are currently about four times the amount paid 10 years ago.

Capitalization consists of about $6,000,000 of debentures, all but $750,000 bearing a 3% coupon; $2,760,000 of 4% preferred; $1,965,000 of 5% preferred, and 667,319 shares of common. Working capital approximates $14,000,000. Current liabilities at year-end were $6,381,000, while current assets were $20,337,000, including cash of $6,500,000.

Earnings per share of common in 1949 were $3.51 and dividends paid were $2, a 57% pay-out, which normally would be rather conservative. Due to the increasing population of the territory, opening of additional super-markets and the higher dollar value of inventory due to higher costs, the management is wisely trying to provide as much of the necessary working capital as possible out of retained earnings.

Net profits approximate 1.5 cents per dollar of sales, which indicates Colonial passes on to its customers a large part of the savings derived from its ability to purchase in large quantities. For each dollar of sales last year, 84.4c went for merchandise, selling expenses, etc.; 11.1c for wages and benefits; 1.5c for repairs and depreciation; 1.5c for taxes and licenses; 0.9c for dividends and 0.6c retained in the business.

What happens to Colonial if we have the much discussed depression? Naturally, sales will decline —primarily in the so-called luxury items. Remember, Colonial sells an item that has become a stronger habit than any drug. It sells for cash. It makes no differ-

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Business Is Good, but Problems Lie Ahead!

By ROY L. REIERSON*

Vice-President, Bankers Trust Company, New York

New York banker reviews current economic conditions, together with economic and political factors in business outlook. Sees present high level of business activity due to unfilled backlog in consumer and industrial demands along with heavy government spending, but warns international situation is clouded and government policy in efforts to stabilize the economy is uncertain. Lauds conservativism of bankers in present situation, and calls for continued caution, because of problems ahead and danger arising from rash speculative optimism.

The American economy is in the third phase of its postwar development. The first phase, which began with the end of the war and terminated sometime in the second half of 1948, was a period of reconversion and shortages. Large accumulated demands for most major commodities were fed by a war-infested money supply, greatly increased public holdings of cash and Government securities, and substantial holdings of dollars by many foreign countries. The inevitable result, in the face of limited production of many commodities, was a rapid increase in prices.

Roy L. Reierson

The second phase of our postwar business history began in the latter part of 1948 and continued into the second half of 1949. With the gradual rise in production and the satisfaction of more urgent wants, the supply-demand position shifted in many commodities. Also, high government revenues resulted in large Treasury surpluses. As a result, inflationary pressures subsided and were followed by modest price and inventory adjustments. Industrial production declined fairly sharply, but most of the aggregate dollar measures of economic activity remained near peak levels, as did the physical volume of goods purchased by consumers. Prices softened, but signifcant price corrections were limited to agricultural commodities and a few basic raw materials. There was a conspicuous absence of credit crises or liqudation or price collapse, and money rates remained low.

The third phase of our postwar experience began shortly after the middle of 1949. The upturn in business activity was sparked by several factors. For one, it became necessary to restock business inventories, which had been drawn down by continued consumer buying in the face of reduced business orders. At the same time, there was a resurgence in building and construction, and in many consumer durable lines closely associated with residential building. Continued strength in automobiles, and a meteoric rise in television were further features. Also, the budget situation shifted from a substantial surplus to a sizable deficit.

Business Conditions Today

Business at present is generally good. Industrial production has risen significantly from its lows of mid-1949. New production records have been established in such diverse lines as automobiles, building, and construction, and some synthetic fibres. Employment has been well maintained. Commodity prices in the aggregate have for some months shown a firm to slight upward tendency. The backlog of orders has risen, notably in durable goods. Sales at retail are not too far different from a year ago in dollar volume, while sales prices are somewhat lower. In general, durable goods such as automobiles, appliances, television sets, furniture and the like, have done better than soft goods, such as textiles and apparel.

The short-term outlook is favorable. Industrial production in the second quarter of this year is likely to average near the postwar peaks attained in 1948. Shortages remain to be filled in steel, premiums and conversion deals have reappeared, and near-capacity operations are anticipated into the latter part of the year. The automobile industry is entering its big selling season with a good market outlook and with dealers' stocks at relatively low levels.

Construction contracts and residential building starts have risen to new peaks. These assure that building and construction will be at capacity levels into the third quarter at least. All this will be reflected in good business for various associated lines, including lumber, building materials, furniture, and household appliances. Inventory building is helping to sustain business currently. As long as we have large demands for housing, business plant and equipment, and automobiles, the heavy industries will be operating at a high rate, and so long as heavy industries are active, business will be generally good.

Beyond the immediate future, the course of business depends on three major sets of forces: the international situation, certain important economic factors, and the

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*An address by Mr. Reierson before 60th Annual Convention of the Tennessee Bankers Association, Memphis, Tenn., May 18, 1950.

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American Economy: Freedom's Test

By LEON H. KEYSERLING*
Chairman, Council of Economic Advisers

Asserting greatest task in years ahead is to find ways to bring more stability and growth into American economy, Presidential economic adviser says it can be attained only by uniting manpower with managerial skills, plant equipment and financial resources. Says we must strive for still higher activity and lower unemployment chiefly by expanding home and foreign markets. Stresses need of increasing consumer demands and calls for larger areas of agreement among separate groups within the economy. Defends government economic analysis and planning, but denies "planned economy" is needed.

The fact that I think the American economy presents a test of freedom is the reason why I'm interested in economics at this time. For if the problems of the American economy related only to the questions of our daily bread, only to the troublesome question of meeting payrolls, or meeting the cost of living, these problems would be important indeed but they would seem in some respects secondary compared with the vast, looming overwhelming problems which face our nation of 151,000,000 people—if I forecast the census correctly — in a world of something like two and one-quarter billion. But when we look at ourselves in the context of the current world situation, we realize that the American economy is indeed freedom's test, we realize that whether we shall survive, whether we shall prosper, whether we shall be able to hold on to those freedoms which we all value more than anything else — the fundamental freedoms of human beings, in their business lives and in their personal lives and in their social and political lives — we realize that the outlook on all these momentous issues depends very much on the strength and stability and progress of the American economy. And that is why I think the problems of our economy are so transcendently important, because I think that how effectively we deal with them will determine more than anything else how fully all that we cherish most does survive here and elsewhere in the world.

Leon H. Keyserling

I don't think that the most important aspect of t.is issue is whether our economy is strong enough to maintain national security or defense measures. It is. Nor is it whether our economy is strong enough to maintain its international programs and obligations. It is. In a more fundamental sense, our future depends on how well we thrive and prosper in the advancement of our own economic system because the other peoples and the other nations of the free World are looking to the United States as the demonstration of that blend of free enterprise and free government which has made us strong and to which we look to keep us strong. And if we should perchance, through neglect or mishap, give even a temporary demonstration that we cannot retain this economic strength in full, then we shall have removed from the eyes of the other peoples of the world the thing which gives us more influence, which gives us more leadership, which gives us more prospect for success, than armaments and other things—although those, too, are important.

In this connection, we have to take account, as realistic people, of how we are judged by others. And I think it very important to recognize that they do not judge us always by the tests that we apply to ourselves. It is not satisfactory to them to say, although it is important, that we are economically more powerful than the rest of the world—although we are; that we're infinitely more productive and more ingenious than other industrial nations—although we are; that we have the highest standard of living and have made the most progress. All this is true, but I think we will be judged primarily in the eyes of the world—not to speak of in the eyes of our own people—not by what we have, for which there are many historic and other reasons for which we should be thankful, but rather by what we do with what we have. After all, the test of the salt of a man is not the talents he was born with but how well he uses what he has. We all prefer the industrious hard-working person of reasonable ability to the person blessed with great ability who wastes his time and accomplishes little. So the test of the American economy will be, not whether we have more than others, but what we do with what we have. And that test will be posed primarily—in the eyes of the free World, I say again —in terms of how well we are successful in avoiding what others have come to think, rightly or wrongly, has been one of the liabilities of the American economy, its inability to achieve a reasonable measure of stability and a reasonably steady rate of growth. That liability from time to time has cut across the path of our economic progress; it has created from time to time a degree of unemployment of plant and resources and manpower to an extent which has made those in other places, and some within our own country, look askance at our resources and at our institutions. Thus, I think that the greatest task we have in the years ahead is to find the ways—I say "the ways" because there is no one way or no one panacea—to bring more stability and growth into the American economy than it has shown in peace-time years in the past.

Need of Some Reconciliation Between Security and Stability

I say "more" advisedly. I don't say perfection, because let me make it clear at the very beginning that I realize that while there is no absolute conflict there needs to be some reconciliation between security and stability and the dynamism which has made our economy grow the way it has. Perhaps if we sought for absolute security, if we sought for absolute stability, we would have to sacrifice too large an amount of the initiative and of the dynamism and of the drive which in the long run have enabled us to accomplish such great results. But there must be some reconciliation, at least to the extent of not paying a price for our progress so high that from time to time it unduly jeopardizes our progress. If there is any one thing upon which I think the majority of us would be in agreement, it is that we could not afford a degree of instability which might bring to our economy, in terms of its current size, anything even roughly comparable to the degree of instability, or the degree of unemployment that we have had measured against the size of our economy in the past.

To make myself clear when I talk about unemployment, let me say that I'm not talking simply about jobless workers. I'm talking also about unemployment of managerial skill, unemployment of our plant and resources, unemployment of our financial resources, which are really the counterpart of unemployment of manpower. For let us always remember that manpower itself has no wealth-creating value in our economy except insofar as it is united and wedded to managerial skills, to plant and equipment, to financial resources, and to business knowhow. So when I use that simple word "unemployment," I'm talking about our economy as a whole and not talking only about jobs.

Yet I do think that jobs are one of the important measures of unemployment, and the reason for that goes beyond purely material things and gets into certain other values. Certain trends are taking place in thinking within our own country, not to speak of the rest of the world, to the effect that a high level of joblessness cannot be defended. Even if on strictly economic grounds we were to accept the view—which I emphatically do not accept—that our system might become more "efficient" with five or six or seven million unemployed, or at least could support this number without strain, public opinion holds otherwise. I think it is part of practical and realistic business people not to argue a question which is already determined in the public mind. We must recognize as a given factor in the situation, just as surely as rain is a given factor in a situation, that if unemployment does rise above a certain level, the composition of freedom about which we have been talking cannot so easily be assured. No one can look with confidence upon any advent of high and sustained unemployment. I would be the first to say that in such a period, as in the past, the combination of experimentation, of rapid change, which is forced upon the people and the government by that kind of situation, does not provide a full solution even though it brings some improvements.

Large Unemployment Should Be Avoided

Therefore, it seems that the first prerequisite of trying to maintain and advance our freedom, to maintain those values which are the hallmark of the American economy, is to start at the rewardingly high economic levels where we are now and try to avoid any critical downturn; because the hour of crisis necessarily produces rapid improvisation and experimentation. We should try to avoid the advent of conditions which, as they become more severe, would become harder and more dangerous to deal with. In fact, we must strive for still higher activity and for much lower unemployment.

Let me try briefly to cite just a few figures—I don't want to bore you with many—as to the size and nature of the problem of maintaining reasonably stable growth in the American economy. Many people wonder why, with our economy for 1949 as a whole only 1% below 1948 in total level of real output (after adjusting for price changes), unemployment, which averaged about 2 million in 1948, changed to about 3.5 million in 1949 and was about twice as high at the end of 1949 as at the end of 1948. Why did that great change in unemployment take place, when 1949 as a whole was only 1% below 1948 in total output of goods and services?

The reason it took place was two-fold, and in those two-fold conditions we have evidence not only of the strength and the magnificence, and the awe-inspiring quality, but also of the central difficult problem, of the American economy. These two-fold conditions are: increases in productivity, which means being able to do more with the same number of people, and second, growth in population and in the labor force.

Now we come into 1950 and we see, in the first quarter of this year, at roughly speaking the levels of business activity of the latter part of last year, a further increase in unemployment, and for the same two reasons.

I well recall that in the years 1946 through 1948, when I talked with many business economists about productivity, in view of their concern as to whether productivity was really going to increase, I said: "I think enough of the American system of business, of its enterprise and its judgment, to be absolutely incredulous when it is said that an American industry which invests more billions of dollars than ever before in peacetime history in the fundamental improvement of plant and equipment will not achieve vastly increased productivity when we settle down from the immediate postwar situation and when we have time to digest the results of that improvement."

While the indexes of productivity are always slow in coming in, that increase is now taking place, and I believe that 1950 and 1951 and 1952 will bring ever-increasing evidence of a new release of productivity forces which should at least maintain the best records that we made in any comparable number of peacetime years in the past—and I wouldn't be at all surprised if it exceeded them.

Let's just look a very few years ahead and see what this current and potential increase in productivity, plus the growth in the labor force, put before us as the central problem of the American economy. Let's just take a period of five years, roughly speaking, to 1954. Now, that may seem like stargazing, but is it really a long time in the life of a great nation? Does it seem to us a very long time ago that the war ended? And that was almost five years ago.

Over a five-year period, if we maintain the increase in productivity which our past record (even when averaging periods of depression as well as prosperity) would indicate, and maintain only the same level of business activity and the same level of total national output which we had in 1948 (which seemed to us like a phenomenally productive year) then we would end up within four or five years with 10 to 12 million unemployed. To make myself perfectly clear, I'm not predicting 10 to 12 million unemployed. I don't think we're going to have it. I think we've got to avoid it. I think we will avoid it. But I'm merely using this statistical illustration to show that the great and most important law of our kind of economy is that it cannot be stable by standing still. It must grow in order to live and thrive and prosper. Therefore, if I may say so, when I hear people saying, "Well, conditions are perfect because national income, output, employment, are just as high as they were in 1949, and that was a good

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*An address by Dr. Keyserling before the Economic Club of Detroit, Detroit, Mich., April 3, 1950.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

The high point reached in nation-wide industrial production in the week ended May 17 was sustained last week. Total output for the period was moderately above the level of the comparable 1949 week.

With such key industries as steel and automotive plants continuing to attain record high production, aggregate claims for unemployment insurance in keeping with this trend, reflected a decline in such claims for the week ended May 13.

Stringency in steel supply is increasing this week with buyers reporting conditions almost as bad as during the shortage of 1947-48. No early relief is sighted despite record production, "Steel," national metal-working magazine, reports. Demand pressure still rises and not only is supply tight in the light, flat-rolled products and pipe, but mill order backlogs are mounting in plates, shapes, bars and some specialities. Tonnage carryover into third quarter, especially sheets and strip, will support high-level steelmaking beyond Labor Day, the magazine adds.

Rising costs it is understood are exerting renewed upward pressure on finished steel prices and isolated advances indicate a possible general rise in the making. Sharply increased scrap prices are a factor in the current advances.

* * *

The past week witnessed a new high record set in the automotive industry in the production of cars and trucks.

Major factors in last week's performance, "Ward's Automotive Reports" observes, were the return of General Motors Corp. to near capacity operations, after a sharp drop the previous week due to the railroad strike, and the further advance by Chrysler Corp. toward planned production goals.

* * *

Chain store and mail order dollar sales in April showed a slight upturn above the March level, the United States Department of Commerce reveals.

Placed at $2,232,000,000 for April, they were $69,000,000 below the total for the like month of 1949, the Department adds.

Sales of all durable goods stores at $261,000,000 were about on a par with March, after adjustment for seasonal differences, and $15,000,000 ahead of a year ago.

Non-durable goods stores, the same source declares, reported sales $2,071,000,000 for April, up fractionally from March and a little under April of 1949.

Steel Output Scheduled to Hold at Record High Rate

This week a full-blown stampede for steel has turned the market into a frenzy. Consumer pressure for delivery of all major steel items is intense and in cold-rolled sheets there is a panic that rivals anything in history, states "The Iron Age," national metalworking weekly in its summary of the steel trade.

The same factors that induced hysteria in the steel market two years ago are present today. They are a runaway scrap market, conversion deals and premium prices. The gray market is present but is not a big factor now.

The steady advance of scrap prices in recent weeks has now accelerated into crazy flight. No one can say how high this flight will take scrap prices, but all agree that the direction is up. Substantial price increases in No. 1 heavy melting steel in major scrap consuming areas exploded "The Iron Age" steel scrap composite price to another new high for the year at $37.25 per gross ton, an increase of $3.08 a ton from last week.

The reason for the runaway scrap market, according to this trade authority, can be attributed to a shortage of good steelmaking scrap caused by (1) a record breaking steel melt; (2) low prices last year, which caused some scrap sources to dry up; (3) conversion deals that bite off huge chunks of the best scrap and inflate the entire market balloon; (4) earmarked scrap and (5) some exports.

Conversion is booming along and prices are still going up. Major conversion mills have booked their conversion space to the end of the year and despite the fact that big consumers of cold-rolled sheets have tried to buy rolling space for the first quarter of 1951, they have not been able to place much tonnage, this trade paper asserts.

Premium prices, long absent in the steel market, are again

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Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Air Conditioning — Review — Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Connecticut Industrial and Insurance Investments — Survey — G. H. Walker & Co., 50 State Street, Hartford 3, Conn.

Cuban Sugar Situation—Analysis—H. Hentz & Co., 60 Beaver Street, New York 5, N. Y.

Dividends for More Than a Decade on common stocks dealt in on the New York Curb Exchange — New York Curb Exchange, 86 Trinity Place, New York 6, N. Y.

Experiment in Speculative Behavior—O. K. Burrell—Bureau of Business Research, School of Business Administration, University of Oregon, Eugene, Ore.—Paper—50¢.

Legal in Massachusetts — Individual studies of New York City bank stocks now legal for Savings Bank investment in the State of Massachusetts — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the thirty listed industrial stocks used in the Dow-Jones Averages and the thirty-five over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over an eleven-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Textile Machinery Companies—Discussion of new products enhancing earnings outlook—May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass.

* * *

Braniff Airways, Inc.—Complete analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Central Public Utility Corp.—Progress report—F. S. Yantis & Co., 135 South La Salle Street, Chicago 3, Ill.

Dumont Electric Corp.—Circular—Wm. J. Mericka & Co., Union Commerce Building, Cleveland 14, Ohio, and 150 Broadway, New York 7, N. Y.

McDonnell Aircraft Corporation—Analysis—Amott, Baker & Co., Inc., 150 Broadway, New York 7, New York.

Mexican Light & Power Co., Ltd. — Card memorandum — New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Mexican Railways — Analysis—Zippin & Co., 208 South La Salle Street, Chicago 4, Ill.

Northern New England Company—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Oxford Paper Co.—Circular—Maine Securities Co., 465 Congress Street, Portland 2, Maine.

Pickering Lumber Corp.—Circular—Uhlmann & Latshaw, Board of Trade Building, Kansas City 6, Missouri.

Riverside Cement Co.—New analysis—Lerner & Co., 10 Post Office Square, Boston 9, Mass. Also available is a brief review of the Cement Industry.

Robbins Mills, Inc.—Circular—Carl M. Loeb, Rhoades & Co., 61 Broadway, New York 6, N. Y.

A. O. Smith Corp.—Circular—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

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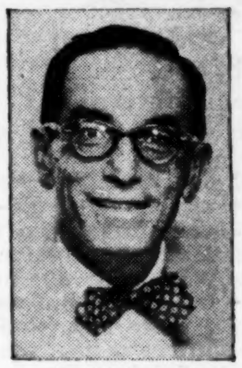
Observations . . .

By A. WILFRED MAY

More on Implications of Mutual Fund Operations

This columnist's recent articles on the possible reciprocal effects of the mutual funds boom and a future major market depression has elicited considerable response from our readers. Exemplifying some dissenting opinion, particularly with regard to my contention that the cash-redemption privilege coupled with over-emphasis on the "capital gains race" plays up speculative elements and sabotages true investment behavior, is the following communication from a New York Fund dealer.



A. Wilfred May

Dear Mr. May:

I find your article on "Mutual Funds, the Redemption Privilege and the Investor" most interesting. It throws clear light on the ticklish question of redemption during depression periods. It would seem to me though that the managements of the better and older Funds will not be influenced by competitive reasons to invest up to the hilt. In doing this, they might digress from their stated "investment policy" and could thereby be severely criticized by their shareholders and the SEC. Furthermore, such a short-sighted policy could cause the Fund grave harm in periods of depression, and most Funds wish to stay in business indefinitely.

Management scans the economic and financial horizon and if any clouds appear they endeavor to put their Funds in such shape as to resist the onslaught. Because management realizes the possibility of human error, many Funds have adopted during the past decade, formula timing plans so that their portfolios will automatically become more liquid and in better defensive position the higher the market goes and the nearer we arrive to a major market decline. Some of the older Funds have gone through two major depressions and one war and I believe that, though the question of redemption in a period of stress is a great one, there should be no cause for worry to the long-term investor. Undoubtedly, the speculator who has knowingly or unknowingly bought Funds on the wrong assumption will deservedly have to take the rap.

Very sincerely yours,

W. van Marle

New York City,
May 24, 1950

We agree with Mr. Marle's conclusion that the redemption feature should not cause the long-term investor to worry whether his fund can survive a depression, and that it will neither indirectly nor directly put funds out of business. But there are other important harmful effects resulting from the over-emphasizing of capital-gains performance, from fund-to-fund switchability via redemption, and from the shortcomings in investor education.

Fear of Criticism Sabotages Sound Policy

Far from steering fund managements to sound portfolio policies, fear of criticism actually is the most important motive leading them to behavior contrary to the dictates of sound investment judgment as they would otherwise objectively formulate it. The criticism which is controlling (because the environment is speculative instead of investment-minded) is for being out-of-step with competitors who are ostensibly ringing up a better "assets-score"—during either a bull or a bear swing. For example, during a 1928-29 kind of stock market the fund manager like any other fiduciary is inexorably pressurized to behave like the run of individual investors and speculators. Despite the fact that value-appraisal standards may have convinced him that 1928 or early 1929 levels represented obvious overpricing, no one could possibly "stand the gaff"—emotional and material—of his fully-invested competitors (however misguided they may be) showing successful results month after month and quarter after quarter. (Thus it was that so many sound "investors" couldn't resist buying shares back at far higher prices than they had previously sold them.) Conversely, midst a universal environment of bearishness of the 1932 or wartime 1941 type, the investment manager subjected to publicized scrutiny of his record, is confronted by a tremendous psychological block to his pursuance of investment principles

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Shortcomings of U. S. Foreign Trade Policies

By PHILIP CORTNEY*
President, Coty, Inc.

Mr. Cortney, after reviewing U. S. Foreign Trade Policy under present Administration, and commenting on "dollar shortage" and international balance of payments, outlines suggested remedies for restoring non-discriminatory multilateral world trade: (1) harmonizing U. S. domestic and foreign policies; (2) elimination of all controls and quotas which prevent freedom of foreign trade; and (3) restoration by ECA nations of convertible currencies along with elimination of exchange controls. Holds European Clearing Union ineffective, and attacks charter of International Trade Organization.

One of my British friends is a conservative member of the British Parliament and is very active in the work of the International Chamber of Commerce, as a delegate of the British Committee. I remarked to him one day that at the ICC he was defending economic policies which are usually those of the nationalistic socialists, while in Parliament he was defending freedom of trade, domestically and internationally. His answer to me was "My dear friend, you should take a few lessons in politics."

Philip Cortney

A French philosopher, Paul Valery, said that at the time of the Kings and the Lords, the art of politics consisted of preventing people from bothering with matters concerning them. I have the impression that nowadays the art of politics consists of telling the people lies or only half the truth, for fear that if they knew the whole truth they would not understand or would not accept the policies of the government.

I heretofore had the reputation of speaking my mind and saying the whole truth. Whether it be the lesson of my British friend, of whose advice I spoke before, or whether I am getting wiser, my intellectual integrity compels me to tell you that I shall not be today as outspoken as I am usually. But let me state frankly that I don't like what I hear or see of the way our affairs are managed domestically or internationally. At times, I even have the impression that we are led by devious ways to do things we might perhaps not do otherwise. While there is a kind of a general conspiracy against the "invisible hand" of Adam Smith, I notice that the affairs of the world are confused and muddled by a few rather obvious and clever hands. These mysterious hands cannot boast so far of remarkable achievements except the satisfaction of some narrow, egotistical, nationalistic interests.

*An address by Mr. Cortney before the Tanners' Council of America, Inc., Atlantic City, N. J., May 25, 1950.

Under various influences our own government has been led to believe that we can solve all our problems provided we shower enough dollars the world over. It is a sort of "dollar diplomacy" of the worst kind. We haven't even the courage of our "dollar diplomacy" because when we give away our wealth, we are not supposed to ask anything in return for fear of hurting the national or rather nationalistic sensitivities of the receiving countries. Our modern version of international dollar displomacy, in turn, is based on the notion that there is no limit to the amount of dollars we can print and spend without impunity. As Dr. Nourse said, we have adopted deficit spending, which, in the final analysis, is nothing else than the printing of paper money, as a way of life. If we should persevere in such monetary policies we are bound to get into serious trouble.

Administration's Foreign Trade Policy

In his recent address at Madison, Wisconsin, President Truman defined anew the U. S. Foreign Trade Policy. He said that our nation is dedicated to the preservation of freedom and to the achievement of peace in the world. Truman stated that to achieve peace the nations of the world should help one another and combine their energies everywhere in building a better future for all of us. ". . . To create a sound economic system in the world we need to work together for more production in the free countries, and more trade among them. . . . All countries would benefit from the growing volume of international trade. . . . But that trade has to be on a basis of fair competition and mutual benefit, among nations that stand on their own feet. . . . In the underdeveloped areas of the world the primary problem is to establish a modern industrial and agricultural economy. . . . This requires investments of funds to increase their productive capacity." I have just been quoting a few sentences from the President's speech.

In summary, the foreign trade policy of the United States is aiming at the expansion of non-discriminatory multilateral trade, to which we have added lately the development of the under-developed areas of the world.

I believe that most Americans have no quarrels with the purported aims, and particularly with the removal of all barriers to commerce so as to help the expansion of international trade, which is the economic foundation of peace. Furthermore, just as the real or imaginary "have-not" individuals create domestic strife, so do real or imaginary "have-not" countries create international strife, particularly when they are governed by dictators like in Nazi Germany or Russia. Peace, and a large extent prosperity, are indivisible. You may have noticed that most of the foreign countries say that the main thing the world wants from us is for us to be rich and prosperous. The idea is that if we are rich and prosperous we shall first help the rest of the world to its feet, and afterward we shall help it by importing a great quantity of goods. In summary, a great part of the world seems to share the opinion that for us to be rich is the greatest service we can render. But Professor Clark of Columbia University, together with others, wonders whether by becoming disproportionately rich as compared with other peoples we do not become the object of the world's envy even more than before. This is one more reason to be in favor of international trade, because the division of labor is one of the best means of making possible a gradual rise in the standard of living of all nations.

U. S. Efforts to Restore Foreign Trade

Our government can take credit for having right in the midst of the war developed the thinking and taken action for the furthering of international trade after the war. To this effect we began by helping the various devastated countries to reconstruct their countries and their economies. We established the International Monetary Fund and the International Bank for Reconstruction and Development. In December, 1945 we submitted to the other governments a document called "Proposals for the Expansion of World Trade and Employment." After a few sizeable loans granted to Great Britain, France, Greece, Turkey, and other countries, we launched the Marshall Plan in order to give further help to Great Britain, and to help particularly France and Italy in their fight against communism. We have spent so far about twenty billion dollars for the purpose of helping some countries back to their feet. The Marshall Plan aid in particular has helped increase production in many European countries and has also been successful in helping these countries to resist communism. Much credit is due to the ability of Mr. Paul Hoffman and his staff in ad-

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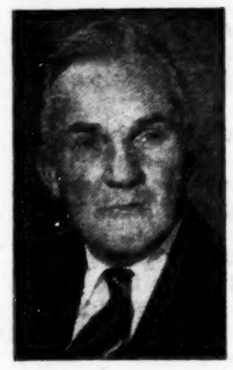
From Washington Ahead of the News

By CARLISLE BARGERON

Although the November elections are several months away, several of Governor Duff's men have already been in Washington casing the joint, so to speak, and talking very big about what they intend to do when the Pennsylvania governor comes to the Senate and takes over the Republican Party. It is somewhat reminiscent of the way the Dewey crowd talked weeks in advance of the Presidential election of November, 1948.



Carlisle Bargeron

I think it is a fairly safe bet, however, that the bitterness of Pennsylvania's recent primary will be overcome and that Duff will be duly installed down here. And from the way those around him are talking he intends to stir things up. According to the big talkers who have been here, Joe Martin and Charlie Halleck must go from the Republican leadership. Oh, they may perhaps, be given a few months of grace but with Duff coming here their days are numbered. Bob Taft, it seems, is all right; he and the Governor work very well together, so he will be permitted to stay.

Somehow, neither Joe Martin nor Halleck seems to be shivering in his boots, which is by way of saying that there is a lot of wind to the Duff promises to make the Republican party over. The gentleman is aggressive and able. His influence in Washington will be greatly enhanced, too, by the fact that he is expected to control the large Pennsylvania delegation at the 1952 Republican National convention. He is expected to control this delegation, next to New York's in size, not because he is a Senator, who seldom has much influence in these matters, but because the gubernatorial nominee named with him and expected to be the next Pennsylvania governor, is his man.

Herein lies the possibility that the aggressive Duff's influence may fall completely out from under him. Assuming he is elected governor in November, the Republican nominee, Mr. Fine, may easily decide that now he is elected, he may be his own man. In this event it will be his delegation at the National convention. It would not be unusual at all for Mr. Fine to come to this attitude. The temptation, indeed, will be strong as the months pass and he is continually referred to as Duff's man. Should he turn, indeed, upon his benefactor, it will be no more than Duff did against those who made him governor; no more than Eisenhower would be doing were he to run for the Presidency against Truman. Politics is a very brutal game.

But assuming Duff maintains his hold on the Pennsylvania organization and therefore the influence that goes with this in National party councils, I don't look for any great reform; I don't expect to see the party go "liberal" as many writers have been predicting. Neither do I think the House leadership of Messrs. Joe Martin and Charlie Halleck is in jeopardy.

Duff's coming to Washington will be a contribution to the party, I think, though, it will be a contribution of demagoguery and I don't mean to use the term offensively. A great lesson his fellow Republicans can get from his Pennsylvania victory is that in politics you ought to have a whipping boy. With Roosevelt it was the vested interests, the Tories, the Economic Royalists. With Truman it is Wall Street, Fascists, the "obstructionists" without and within his own party.

Duff had the knack of turning on his old friends, the Pennsylvania Manufacturers Association and particularly Joe Grundy and Mason Owlett. To have heard him tell it, these were evil influences whom he had to fight every step of the way. The plain fact is they had elected him governor and were perfectly agreeable to his coming to the Senate. Old Joe and Mason Owlett were the most surprised men in the world when Duff let go at them, and their surprise increased as he went through the campaign telling of evil things they had wanted him to do and how he had steadily resisted them.

The more they said plaintively how amazed they were, that they had never asked Duff to do these things, the more he shouted that yes they had. He succeeded in building up a popular fervor as a Jack the Giant Killer.

It is against the grain of our better Republicans to demagogue. They are more given to understatement. Frankly, in these days and times, they need more McCarthys.

Duff is not a McCarthy. There is nothing reckless about him, no irresponsibility. And he is just as sound as an old shoe. He made Pennsylvania an unusually good governor, he will undoubtedly make a good, sound Republican senator. But some of the things he says are likely to make the conservatives' flesh crawl. He will be talking frequently about liberalism, about the need of the Republicans adopting a "forward, progressive" attitude but when his votes are analyzed he will be just as conservative as you would want.

He will undoubtedly get himself another whipping boy, probably the "reactionaries" of the party and he will rave and rant against them. But it is my guess that you won't find him aligning with the Tobeys and Aikens of the party. I expect him to get along very well with Bob Taft.

Josephthal Quarter Century Club Elects

At the annual dinner of the Quarter Century Club of Josephthal & Co., 120 Broadway, New York City, held at the Downtown Athletic Club, Thursday, May 25, the following officers were elected: Anthony Cordano, President; George Newman, Vice-President, and Miss Julia Rosenstengel, Secy.

To Be Jacquin & Stanley

Frank E. Bliss, Ernest Jellinek and William W. Goldsborough, Jr. withdrew from the firm of Jacquin, Bliss & Stanley, 44 Wall Street, New York City, members of the New York Stock Exchange, and effective June 1 the firm's name has been changed to Jacquin & Stanley.

Looking Ahead to 1951

By HAROLD B. DORSEY*
President, Argus Research Corporation

Mr. Dorsey, in analyzing rise in Gross National Product in first quarter of year, lays it to renewed inventory accumulation, new construction, and increasing mortgage and instalment credit. Holds, as a nation we are living beyond our means. Asserts there is no shortage of venture capital, and favorable money conditions with continuance of heavy government spending may keep up business activity for some time. Concludes conflicting forces exist, which should be carefully studied by businessmen and analysts.

I feel very strongly that much more work should be done in analyzing the dynamic forces that influence the level of business activity, and in making that information apparent to operating executives. Within the past six weeks, the members of my staff have interviewed top executives of a great many of the largest companies in the country. As a generalization, we can see a precise correlation between the level of a business executive's confidence and the current level of his company's sales. However, the outstanding characteristic in these interviews was the fact that most of these executives were not studying the reasons why their current sales were good. There was a broad tendency to emphasize the fact that because the current sales were better than they were in the preceding months, a favorable trend of a more or less permanent nature had been established. It seems to me that our job here tonight is to try to throw some light on the obvious deficiency in this kind of thinking, especially as it pertains to next year's business prospects.

Harold B. Dorsey

Perhaps a good item to start with would be Gross National Product. Why was Gross National Product in the first quarter of this year running at the annual rate of about $264 billion, slightly higher than the total for the peak year of 1948, and nearly $9 billion higher than the annual rate of the fourth quarter of last year?

Inventory Accumulation

Of the $9 billion quarter-to-quarter increase in Gross National Product, $5.4 billion was accounted for by a switch from liquidation of business inventories over to accumulation. Productive activity for the latest quarter was receiving the benefits of production in excess of demand at the annual rate of $1.7 billion. This change of inventory policy reflects an improvement of business confidence and the fact that inventories were probably pulled down too far last year. As matters stand, I see no reason to be particularly critical of the moderate rate of inventory accumulation that was taking place in the first quarter.

Sometimes I think that the importance of the inventory factor to the business cycle is not thoroughly appreciated. During the upward phase of most cycles, business activity is stimulated by an excessive inventory accumulation. Then in the downward phase, purchasing power creation is damaged because productive activity has to drop below actual consumption while the excessive inventories are being liquidated. Consequently, this is an item that we have to watch very carefully, although at the moment I see no reason for particular concern.

*An address by Mr. Dorsey before the Metropolitan Statistical Society, American Statistical Association, New York City, May 25, 1950.

New Construction

New construction in the first quarter was running at an annual rate of $1.4 billion higher than the preceding quarter, and it was $3.3 billion higher than a year earlier. There can be no doubt that activity in the construction industry is being stimulated by the government's encouragement of mortgage debt inflation. Over 40% of all one-family homes being built in the first quarter were financed through the Veterans Administration or the Federal Housing Administration.

The other major quarter-to-quarter change in the Gross National Product series was in the Personal Consumption Expenditure item. The annual rate of these consumer expenditures for goods and services increased $2.9 billion over the preceding quarter to an all-time high record level. There can be little doubt that part of this record showing was the result of the high record level of disposable income in the first quarter, which in turn was caused in part by the veterans' insurance rebates—a temporary factor. Furthermore, since most of the gain in expenditures was recorded in the consumer's durable goods category, the continued sharp expansion in personal installment debt obviously was an aid to sales.

Factors Stimulating the Economy

It seems to me then, that we must recognize the fact that Gross National Product in the first quarter was only able to run at the annual rate of $264 billion because the economy was being stimulated by:

(1) Newly created mortgage debt that was coming into the economy at a gross annual rate of about $13 billion and at a net rate, after repayments against old debt, of about $5 or $6 billion.

(2) Newly created installment debt that was coming into the economic stream at a gross annual rate of about $12 billion, and a net rate, after repayments on old debt, of $2.5 billion.

(3) The economy was receiving a "shot in the arm" from veterans' insurance rebates that were coming into Personal Income at the annual rate of about $8 billion.

(4) Production was exceeding demand, and building up inventories, at the annual rate of $1.7 billion.

(5) Federal, state and local deficits on a seasonally adjusted annual basis were probably coming into the spending stream at the rate of another several billion dollars.

Our fundamental thinking, therefore, about the current level of business activity must give serious consideration to the fact that Gross National Product in the first quarter of this year could only run at an annual rate of $264 billion because newly created personal installment and mortgage debt was coming into the very active segment of the spending stream at the annual rate of $25 billion, while the government deficits were tossing in another several billion. In other words, at the very least, 10% of the Gross National Product figure was due to newly created debt, although if we express this debt on a net basis after repayments on old debt, the mere debt expansion was probably about 5% of Gross National Product.

It may be contended that it is misleading to use the newly created debt figures in this connection, because the repayments against old debt were reducing effective purchasing power. As a matter of fact neither the gross new debt nor the figure for the net increase in outstanding debt are precisely accurate for our purpose here. However, I am inclined to observe the newly created debt figure because we know that it constitutes immediately effective purchasing power coming directly into the active spending stream and because the very creation of that debt permits the activation of additional funds out of savings—"down payments" on homes and equipment. The repayments made on old debts may or may not have been active purchasing power otherwise; such repayments in any case probably would not offset in the spending stream the stimulation that would come from a similar sum of new debt.

Living Beyond Our Means

But any way you look at it, I think we must agree that Mr. Alfred Sloan expressed it very moderately a few days ago when he said: "As a nation, we are living beyond our means."

Now there are two schools of thought on the foregoing condition—those who believe that they have found in this deficit spending the way to lick the downside of the business cycle; and then there are those who believe that fundamental economic laws cannot permanently be distorted in such a violent fashion. It is my view that, for the practical purposes of timing, we have to realize that the violation of economic laws does not have to stop on any given date. After all, government deficit financing and installment and mortgage debt inflation can continue to stimulate the economy for a period of time that admittedly is indefinite. In our day-to-day work, most of us have to think about business conditions next month, as well as next year and the years following. Nevertheless, it seems to me that we can scarcely undertake a very preliminary survey of the 1951 prospects without fully recognizing some of the unsound underpinning of our current base. We have to grant that some of the current stimulants that are causing the abnormally high activity, are unsound, or we are placed in the uncomfortable position of presuming that personal and government deficits are going to expand very sharply *ad infinitum.*

And along the same lines, we have to remember that we have already been through a rather sizable period of abnormally high expenditures for business plant and equipment and consumers' homes and equipment. I think that most of us are inclined to relate such expenditures to earnings and income but, in addition, there is such a thing as temporary saturation. For example, it may be argued that population growth, the wider dispersion of our population and the proportionately greater number of people in the middle-income brackets, have permanently enlarged the normal demand for automobiles over prewar levels. Nevertheless, it can scarcely be contended that the motoring public is not building up its inventory of unused car mileage when we are now producing at the annual rate of 7 or 8 million units. It is a difficult thing to prove, but it is my opinion that the consuming public is similarly building up its inventory of other consumers' durable goods. At any rate, the personal debt expansion indicates that the level of buying is above a level of consumption that would be justified by current personal earning power.

Businessman's Situation

Likewise, the position of the businessman is sharply different than it was several years ago. In 1946, we could look forward confidently to a larger business investment in plant, equipment and inventories because there was an obvious need for these items. At the present time, however, such investments depend much more heavily upon the intangible and treacherous confidence factor, rather than upon an urgent need. This difference, in my opinion, is quite important because the confidence factor tends to fluctuate with current sales and, as some of my foregoing figures have suggested, part of the current support for sales is unsound and subject to change without notice.

At the same time, I think that this is a good place to inject the observation that, in several respects, the businessman has been doing an excellent job. In practically all earlier business cycles, the period of capital goods expansion ended up with many corporations in poor financial shape. This time, that error has been generally avoided. Furthermore, in earlier cycles, the exuberance about current sales led the business executive to over-expand his inventories so that he was vulnerable to even minor shocks. To date in the current cycle he is

Continued on page 30

What's Ahead for Aircraft Stocks?

By LOUIS STONE

Market Analyst, Hornblower & Weeks, Members, New York Stock Exchange

Stock market analyst, holding aircraft shares have been laggard in recent market upward trend, foresees more favorable outlook for aircraft companies in next several years. Contends only two possibilities will upset favorable earnings—real peace or real war.

Despite an assured volume of business which will carry through 1951 at least, and despite every indication of satisfactory profit margins thereon, the leading aircraft manufacturing shares have been somewhat laggard in recent phases of the current highly selective market, although they have almost doubled in price since their 1949 lows. The market record of the nine leading issues since 1946 is shown in table I.

Louis Stone

The record indicates a considerably worse than market average performance in 1947 and 1949, and only a slightly better than average showing thus far in 1950. In view of the extremely favorable earnings outlook for the industry as a whole, it appears logical to expect a better than average market performance from here on. The recent backlog figures, compared with 1949 sales and net after taxes appear in table II.

A Busy Two Years Ahead

The backlogs are not to be considered as any accurate indication of 1950-51 business—the figures are differently computed by different companies, and in any case they are subject to considerable change as Army and Navy procurement policies change. But it appears obvious that the nine companies listed in the tabulation will certainly get the major part of the present procurement program, and it is on the basis of the size of the total program that a busy two years, at least, seems "in the bag"—there isn't any other place for the Army and Navy to go to get production. Total service procurement is estimated at $1.7 billion for the fiscal year ending June 30, 1950; the 1950-51 total is estimated at about $2 billion, and the 1951-52 total is estimated at more than $3 billion. Compared with the $20 billion wartime figure of 1944, it is clear that the present procurement rate represents a very low degree of temperature considering the warmth of the cold war.

Profit Margins

Net profits after taxes averaged only 3.6% on the total business, and the average of the nine companies' ratios was only 4.5%. On the whole, profits have been considerably less than the limits set by the Vinson Trammell Act and by the cost plus fixed fee basis used under the Armed Forces Procurement Act of 1947; for most of the companies, no recapture of current profits appears indicated under the Renegotiation Act of 1948, although no exact interpretation of this statute has yet been worked out. The determination of costs will no doubt be more closely watched than it was during the war years, but realization of an allowed profit margin of about 5%-6% after taxes would mean very satisfactory per share earnings on the indicated rise in gross volume. Boeing, for example, would have earned over $13 a share on its 1949 sales if it had realized 5%. (In any case, Boeing's very low profit margin in 1949 was due to a $7,850,000 loss on the second part of its Stratocruiser contract, which has now been completed.)

As is indicated by the extremely volatile market price gyrations, the industry's profit record has been most erratic. Only three of the nine companies—United Aircraft, North American, and Grumman—were able to avoid losses altogether in any of the postwar years, and the industry as a whole had a very difficult three-year period in 1946-48. In 1949, earnings began to show substantial improvement, carrying over into 1950 with a striking 65% increase in first quarter net. It seems wholly reasonable to assume that the leading companies will be able to stabilize their cost figures as they settle into the relatively comfortable groove of high volume military production, in contrast to their erratic flounderings in the postwar period. In table III there is presented per share figures on earnings and dividends, and also net worth and net working capital figures.

On the basis of 1949 earnings and dividends, the group as a whole cannot be considered relatively cheap in the current market. But the practically assured outlook for rising volume and higher profits over the next several years gives these stocks a certain appeal to the buyer who is unwilling to put all his chips on a continuation of the present boom in general business. In the last prewar period, the aircraft stocks proved relatively good holdings; —although they went down with the general market in the 1937 break, they recovered very well in 1938, and they reached and held new highs in 1939, 1940 and 1941, when the general market was depressed. In the present political environment, which is certainly reminiscent of the prewar period, the aircraft stocks may again prove better than average holdings, particularly if and when the general market loses some of its present boom characteristics. From a defensive point of view, the substantial growth of the last 12 years in asset values and in net working capital has given these stocks an investment quality which they lacked in 1937. From an appreciation point of view, there appear to be only two possibilities which would upset the present favorable earnings outlook —real peace or real war.

TABLE I

	1946 High	1947 Low	1948 High	1949 Low	May 29, 1950
Douglas	108⅞	45¼	67⅞	48⅝	77¾
United Aircraft	37⅜	16⅞	30⅝	20⅛	29⅝
Lockheed	45¼	10⅝	24⅝	16⅛	29⅞
Boeing	35	14⅛	29½	17⅝	29⅜
Grumman	26¼	8½	25¾	15⅛	26⅛
Consolidated Vultee	33⅝	10½	16⅜	8	15½
Martin	45½	14	22⅜	7⅛	14⅝
North American	16¾	6⅝	13⅜	8⅛	15
Curtiss-Wright	12⅛	4⅛	12½	7	9¼
	360¾	130⅝	243	147⅞	247⅛

TABLE II
(000s Omitted)

	Backlog	1949 Sales	1949 Net	Profit Margin
Boeing	$445,741	$286,752	$4,411	1.5%
United Aircraft	310,000	227,085	10,093	4.4
Consolidated Vultee	207,000	†196,561	3,713	1.9
Curtiss-Wright	132,100	128,578	2,750	2.2
North American	283,958	*124,180	7,306	5.9
Lockheed	229,746	117,667	5,491	4.6
Douglas	270,458	†117,422	5,517	4.7
Martin	92,118	52,054	5,131	9.9
Grumman	208,000	59,965	3,192	5.3
Total	$2,179,121	$1,310,264	$47,604	3.6%

*Year ended Sept. 30. †Year ended Nov. 30.

TABLE III

	Current Price	1949 Net	1946-48 Avg. Net	1949 Dividend	Net Worth	Net Working Capital
Boeing	29⅜	$4.07	$0.29	$2.00	$42.79	$36.81
Consol. Vultee	15½	1.60	—7.12	---	13.23	7.44
Curtiss-Wright	9¼	0.12	0.01	1.00	*13.32	9.76
Douglas	77¾	9.19	3.26	9.25	123.97	96.26
Grumman	26⅛	3.19	1.67	2.00	27.06	21.06
Lockheed	29⅞	5.10	2.11	2.00	43.17	26.68
Martin	14⅝	2.50	—9.56	---	17.28	10.69
No. American	15	2.13	1.28	1.25	13.97	12.48
United Aircraft	29⅝	3.31	2.69	2.00	37.06	20.22

*On combined A and common shares.

Continued from page 5

Dealer-Broker Investment Recommendations and Literature

Southern California Edison Co. — Highlights — Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Also available is an appraisal of the **Plywood Industry.**

Stix, Baer & Fuller Co.—Recent review of the company, a St. Louis Department Store — Reinholdt & Gardner, 400 Locust Street, St. Louis 2, Mo.

U. S. Thermo Control—Analysis —Raymond & Co., 148 State Street, Boston 9, Mass.

Walt Disney Productions—Analysis—Batkin & Co., 30 Broad Street, New York 4, N. Y.

With Paine, Webber Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Clarence S. Dyment has joined the staff of Paine, Webber, Jackson & Curtis, 626 South Spring Street. Mr. Dyment was formerly with Dean Witter & Co. and E. F. Hutton & Co.

With Wm. Pollock Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Charles E. Lundfelt has become associated with Wm. E. Pollock & Co., Inc., 231 South La Salle Street. He was formerly with C. J. Devine & Co.

Uncertain Foundations Of Present Prosperity

By LEO WOLMAN*

Professor of Economics, Columbia University

Attacking deliberate government deficit financing as leading to economic disaster, Dr. Wolman criticizes President's Council of Economic Advisers as being more concerned with political objectives than with quest for enlightenment. Says outlook for future Treasury surpluses is not promising, and higher taxes and further monetary inflation are likely. Warns against accepting exaggerated government claims that present economic policy rests on sound basis.

Spokesmen for the government in Washington are busy congratulating the country on its economic achievements since 1945 and they are equally busy claiming credit for all the good things that have happened. There is nothing new about this. Not so long ago an Administration in Washington of a different political complexion was making similar claims about the state of affairs at that time. While the words used were different, the arguments used were much the same as they are today. Somehow or other we had discovered the key to perpetual prosperity. The secrets of business stability and expansion had been mastered. Interruptions to the onward march of the economy, as in 1924 and 1927, were bound to be brief and slight.

Prof. Leo Wolman

Looking backward all of this is now seen to have been a tragic blunder. The country was completely unprepared for what happened. Constant emphasis by both public and private leaders of opinion on the essential soundness of things not only caught people unawares but, more important, diverted their attention from the public and private policies which brought on the disaster. The greatest and most culpable error of the times was the creation of a state of mind, unable and unwilling to detect the forces which were generating one of the longest and deepest depressions in the country's history.

Government Chooses Easiest Course of Action

Through periods of this kind the behavior of government appears to pursue a typical course. Government chooses the easiest among the several alternative courses of action. It calls attention to what it has done and diverts attention from what it has failed to do. All the good or successful things that happen are attributed to its policies and all the bad or unsuccessful ones to the errors, or greed or obtuseness of others. The failure of a bewildering succession of the most dractic policies to pull the country out of unemployment from 1933 to 1940 is said to be due not to the policies themselves but to alleged inherent deficiencies in the system of private business. Again, the rise in unemployment in 1949 when the national income stood well above 200 billions of dollars was not caused by anything the government did or failed to do but by the mistaken policies of others, such as the failure of business to reduce prices in the face of rising costs, or the failure of the steel industry to expand capacity faster than it had already done, or the failure of Congress to raise taxes and repeal the Taft-Hartley Act, or the failure to increase unemployment insurance benefits and to pay them 52 instead of 26 weeks a year.

*Address by Dr. Wolman before the Annual Convention of the California Bankers Association, Coronado, Cal., May 23, 1950.

It ought to be clear that a country incessantly exposed to this kind of argument faces large and incalculable risks in the not distant future. Certainly among the numerous, expensive functions now performed by the Federal Government, the most essential function is to acquaint the public with the pros and cons of leading governmental policies. Certainly the citizens of this country deserve something better than the discussion of urgent issues on the level of a high-school debate. For a time it was believed and hoped that the task of clarifying policy and economic trends would be satisfactorily discharged by the President's Council of Economic Advisers. But it would be a rash individual who any longer entertained such expectations as the Council has joined the ranks of the many public agencies which are more concerned with political objectives than with the quest for enlightenment.

If there is inadequate discussion of public policies, it cannot be because these policies are strange and unfamiliar. They are in fact well known, and this country, as well as the balance of the world, has had frequent experience with them. The trouble is that old policies and old practices appear in a new guise. So what is old and stale seems new and fresh. The old policies may be given new names. The result is that many fail to recognize what is going on and are persuaded to accept on faith programs of action which they do not fully comprehend.

Dangers of Deliberate Deficit Financing

In the current situation in the United States the foremost economic policy of the government is deficit finance, by whatever name it may be called. Of course, it is no longer described in such simple terms. The entire theory and terminology has changed. Deficits are no longer incurred, as in wartime, because outgo exceeds income. They are now created deliberately. They are created in order to serve a large and indispensable public purpose. Their purpose is to balance economic activity — to increase activity when it is low and declining and to dampen activity when it is high

Continued on page 43

We Can Not Spend Ourselves Into Prosperity!

By ALBERT C. AGNEW*
Vice-President and General Counsel,
Federal Reserve Bank, San Francisco

Reserve Bank official, pointing to revival of slogan "we can spend ourselves into prosperity," says it is time to debunk this false doctrine. Calls for end of deficit spending and reduction of national debt. Holds sound prosperity can be attained only by greater productivity and more economy in government, and scores "buck-passing to Uncle Sam." Cites proposals for wasteful expenditures in Congress and recommends adoption of Hoover Commission plan for government reorganization.

The managers of any well-run corporation take inventory at least once a year. If the officers and directors fail to take such action, it becomes the duty of the shareholders to do so for the protection of their own interests.

Albert C. Agnew

Well, we are all shareholders—common stockholders, if you please, in the largest and most successful corporation the world has ever seen—the United States of America. I think it is about time we, the shareholders, commenced to look into the situation and study the record. If I read the signs of the times correctly, our business is being run along lines that spell ruin for us, our children and our grandchildren, and I believe it is up to us, the people, to remove the green light on the road leading to national bankruptcy and put up a road block of fiscal sanity.

Perhaps at this point some of you will say to yourselves: "This man is an alarmist. What's he talking about? We have prosperity. Prices are high. Incomes are good. Profits are soaring. Unemployment is not out of hand. Why worry about the future?"

Well, as our old friend Al Smith used to say: "Let's look at the record." What are the hard, cold facts confronting us in this country today?

Our present national debt carries with it an annual interest charge—not reduction of principal—in the sum of $5,450,000,000. This is alone over twice the total cost of government prior to World War I. At the present time, we are spending annually for government more than the total of the first World War—a billion dollars every nine days—over $111 million daily—nearly a million dollars every 12 minutes and $1,400 every second. We are spending in one year "more than the total value of all life insurance companies in 1943, the chief nest egg of 70 million people." We are told that all the gold mined in the world since Columbus discovered America is worth $40 billion. In one year beginning July 1, next, our Federal Government plans to spend $42.4 billion, over $2 billion more than all the gold produced in the world in 457 years. The Federal Government will spend, during the current fiscal year, nearly 21 times the amount expended during the first year before World War I, without any allowance for debt retirement. There exists a Federal debt mortgage of over $7,000 on every American family.

In a single month in 1949 the peacetime government spent as much as the $3,350,000,000 total cost of government in the four years of civil war.

*An address by Mr. Agnew before the Convention of the American Institute of Banking, Salt Lake City, Utah, May 17, 1950.

The total cost of World War I, two years, was $31 billion. The government now spends more than that in 10 peacetime months.

Our government spent more money in the last four peacetime years than it spent in its entire history up to our entry into World War II; $179,772,000,000 from 1789 to July 1, 1941, and $180,000,000,000 from July 1, 1945 to July 1, 1949.

The proposed expenditures for social welfare in 1950 are over $6 billion against $3 billion for 1948; those for resources development in 1950 are $4.4 billion against $2.8 billion for 1948. And so the balloon of government outlay goes up and up.

The budget proposals for the fiscal year ending June 30, 1951, add up to just this: **more spending, more taxing and an increased public debt.**

Revenue receipts are estimated at $37.3 billion, but even these enormous receipts—more than seven times those of 1939—will result in a budget deficit of over $5 billion. Thus we face a third successive year of deficit financing, a process which is becoming chronic. In fact, in only two of the 21 fiscal years 1931-1951, inclusive, has the Federal Government—despite steep increases in taxation—lived within its income. During that period the public debt has increased from $16 billion to an estimated $264 billion, at the end of fiscal 1951, or by more than 16 times. And, mind you, these figures are exclusive of receipts and expenditures of the social security and other trust funds, handled outside the regular budget.

The conservative National City Bank, in its letter for February, 1950, commenting on this situation, has this to say:

"The question is, where is all this taking us? Though already the burden of taxation on the American people and on business is so great as to discourage incentive and seriously threaten the availability of risk capital for enterprise, yet still more government spending and taxing is proposed.

"Though the country is riding high on the wave of prosperity when, by all the rule books, the government ought to be showing a surplus of revenue and paying off the debt, yet the budget remains unbalanced and the debt gets bigger and bigger. **Clearly we are embarked on a perilous course.**"

Excuses for National Profligacy

Those seeking to excuse our national profligacy usually argue that it can't be helped; we are paying for war and its aftermath. But I wish to point out that for fiscal '51 over $12 billion is to be spent on items in no way attributable to war, the Marshall plan, veterans' benefits, public debt charges, or national defense. This is far more than the total budget before the war, and it is this category that grows and grows, rising from $6 billion in 1947 to over $12.2 billion in fiscal '51.

The bulletin issued by the Board of Governors of the Federal Reserve System has this to say in the issue for February, 1950:

"Outlays on programs related to social welfare, health and security, housing, education and general research, and agriculture would amount to approximately $9 billion in the fiscal year 1951. . . . This represents an increase of approximately $2½ billion over total outlays estimated for this group for the current fiscal year which, in turn, are substantially higher than in the two preceding years."

While deficit financing was unavoidable as a war measure, it is not unavoidable now. Although the national income is running at war record levels, a deficit of $5 billion or over, which now looms as a strong probability in each of the fiscal years 1950 and 1951, is indefensible. Interest rates on triple A bonds have declined from 4.73% in 1929 to 2.57% recently, the direct effect being to absorb approximately 46% of the dollar income of people dependent upon pensions, life insurance and fixed obligations. Furthermore, the purchasing power of these dollars has shrunken to reflect a rise in the cost of living of 82% since 1933 and 68% since 1940.

Our money supply (currency and bank deposits) has increased from $54.6 billion in 1929 to $165.9 billion. There is a vast potential of bank credit at low interest rates plus billions of government credit for housing, veterans, pensions, etc. Again I quote from the Federal Reserve Bulletin of February:

"Sale of Government securities to the banking system would tend to expand the money supply. . . . When economic activity is high and rising and the demand for bank credit is active, **it is appropriate to lay stress on the desirability of avoiding a deficit** and financing any deficit that may develop as much as possible outside the banking system."

Level of Government Expenditures Not Temporary

If our present level of expenditures could be viewed as merely temporary, it would be sufficient cause for concern. But the alarming truth is that our enormous peacetime expenditures are **much more likely to increase than to decline.** Measures now before the Congress threaten to increase government spending to a level that would make the current budget seem miserly in proportion. The Brannan plan, socialized medicine, Federal subsidiaries for education, immediate pensions of $100 per month for all over age 65, the broadening of social security, increased unemployment compensation, and the river basin development programs, involve proposed expenditures of staggering proportions. It is estimated that the old-age pension plan, if enacted, would cost $12 billion per year. The Brookings Institution, estimates that, if adopted, the cost of pensions, compulsory health insurance, public assistance, and veterans' benefits will range between $26 billion and $41 billion annually by 1970. It is perfectly clear that no such program as that now proposed can be put into effect without inflation such as we have never dreamed of.

John Maynard Keynes, the British economist, whose theories of governmental finance have had many adherents in this country, say this, in his book entitled. "The Economic Consequences of Peace":

"Lenin is said to have declared that the best way to destroy the capitalist system was to debauch the currency. By a continuing process of inflation, governments can confiscate secretly and unobserved, an important part of the wealth of their citizens. . . . Lenin was certainly right. There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency."

If this huge debt were necessary and inevitable, if the money it represents had been and was being frugally and wisely spent, we, as loyal Americans, would be the last to complain. But what do we witness? In 20 years the cost of operations of the Federal establishment has increased from $4 billion to over $40 billion; the government payroll has risen from 600,000 persons to over 2,100,000; the number of government bureaus and offices has increased from 350 to 1,812.

Will National Debt Be Reduced?

Not many months ago we were told that economy was the order of the day and that substantial reduction of our national mortgage was on the program. But now we hear again that old, repudiated and discredited cry, "We will spend ourselves into prosperity" and more of that buncombe to the effect that, since we owe the money to ourselves, the size of the national debt is immaterial. **Federal debt can only be paid by spending less than we collect in taxes.** Practically speaking, not one cent of new wealth is produced by government. The tax bill in this country has almost reached the point of diminishing returns and, unless we call a halt, will reach the point where private incentive is destroyed and the risk of new capital is no longer attractive because of tax burdens. The next step is repudiation or still further dilution of dollar value, followed by economic chaos.

The money representing the $256 billion government debt has been spent. It has been consumed. It is gone. It went for shells and office supplies and welfare projects and government salaries. Where did it come from? It came from you and me, from American individuals and organizations who turned over their capital to be consumed by government. In exchange for this capital they received government bonds and notes which can only be repaid by further surplus production and earnings of the people.

If a nation is to have better housing, more food, clothing and shelter for its underprivileged, higher real wages for its workers and pensions for its aged, such good things can be had **in only one of two ways**; through increased production of economically useful things and services, or through the redistribution of what's available; forcibly taking from those who "have" and giving to those who "have not." The latter course is clearly the one being pursued by our Federal Government today.

Speaking of "real wages," while, based upon the average wage of an employee in a manufacturing establishment, a man worked 12% fewer hours to buy a given article at a given price in 1949 than in 1929, during the same period the ratio of taxes to wages had risen from 8% to 29%. Thus, a decrease of 12% in the amount of

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George Searight With Eisele-King Firm

George A. Searight has become associated with Eisele & King, Libaire, Stout & Co., 50 Broadway, New York City, members of the New York Stock Exchange and other leading Exchanges, as Manager of the newly created Dealer Relations Department. This department will conduct a general business with dealers and institutions in listed and over-the-counter securities. Mr. Searight, who has had wide experience in the trading and distribution of securities, recently resigned as Vice-President of Aetna Securities Corp. Prior thereto he was an officer of First Colony Corp. He is a member of the Board of Governors of the New York Security Dealers Association and as Commander of the Wall Street Post of the American Legion has been active for some years in combatting communism.

George A. Searight

With Stephenson Firm

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—Ford M. Tussing has joined the staff of Stephenson, Leydecker & Co., 1404 Franklin Street.

John G. Kinnard Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Floyd E. Duzan has been added to the staff of John G. Kinnard & Co., 71 Baker Arcade.

Pennsylvania Brevities

Corporate News and Notes

PHILADELPHIA—A survey of 4,300 television receiving set owners in the Philadelphia area, conducted jointly by the TV Digest Publishing Co. and the TV Association of Philadelphia, reveals interesting statistics which, by extension, may be assumed to indicate a national pattern.

Of the returns received, 71% had criticisms to offer in respect to present programming. In numerical order, the objections most frequently mentioned were (1) too much advertising, (2) too frequent "breaking in" for commercials, (3) too many "Western" movies.

Nevertheless more than half the returns answered "yes" to the question "Have you bought products or services as a direct result of television advertising?

Asked whether they desired further extension of television programs, replies were almost unanimously in the affirmative with 40% requesting that telecasting continue after 11 p. m. on Saturdays. The second most popular demand was for later Friday night programs.

From the ownership standpoint, it was indicated that 54% of the television families had owned their set for a year or more; 30% from six months to a year, and 16% had acquired sets within the last six months.

Of interest to manufacturers is the indication that approximately two-thirds of receiving-set owners earn $100 per week or less. The complete breakdown was: 4% of owners earn $40 per week or less; 30% earn $40 to $70 per week; 33% from $70 to $100, and 33% over $100.

Set ownership has approximately doubled in the last 12 months.

* * *

P. P. L. Raises Dividend

ALLENTOWN—Aided by rate increases effective last December and by the cumulative benefits of its postwar capital improvement program, Pennsylvania Power & Light Co. reported net income for the first four months of 1950 as 27% higher than the like period a year ago. Last week the directors raised the quarterly dividend rate on the common shares from 30 cents to 40 cents per share. Charles E. Oakes, President, stated that a further increase in the dividend rate may be expected next year.

For the 12 months ended April 30, gross revenues rose to $71,900,277, equivalent to a net of $2.44 on 3,319,685 shares of common, compared with $68,180,502, or $2.24 on the 2,911,885 shares outstanding on April 30, 1949.

* * *

Bayuk Cigars

Although sales of Bayuk Cigars for the first quarter declined 8%, from $6,917,781 to $6,332,196, reducing per share common earnings to one cent, Harry P. Wurman, President, believes the downward trend has run its course and results for the balance of 1950 should be satisfactory.

* * *

Autocar Gets RFC Loan

PHILADELPHIA—Subject to approval by stockholders at a special meeting to be held July 21, Autocar Co. has arranged for a $3,000,000 loan from the Reconstruction Finance Corp. Proceeds, if authorized, will be used to pay off bank loans, meet final assessments for additional Federal and State income taxes for the period 1942-46, the balance to be added to working capital.

Interest rate and maturity provisions of the loan were not disclosed.

* * *

Armstrong Cork Co.

LANCASTER—Armstrong Cork Co., which, in addition to its foremost production of resilient floor coverings, makes a diversified line of building materials, has announced a "price protection" program to assist dealers handling the latter line. Under its provisions, building materials distributors may receive as much as 75% of the price reduction, if any, of products bought in the preceding 12 months.

The new policy is designed to enable wholesalers to carry more complete stocks with minimum inventory risk and to level out the peaks and valleys of factory production.

* * *

Pittsburgh Steel Rate

For the sixth consecutive week, steel mills in the Pittsburgh district have produced at a rate in excess of theoretical capacity. Current week's production is scheduled at 103.1%, compared with 103.7% last week.

* * *

Summer Breezes

Philco Corp. reports sales of air-conditioners for the first four months of 1950 as 57% ahead of a year ago and anticipates a further percentage increase in May. Walter H. Eichelberger, Vice-President in charge of the refrigeration division, attributes the improvement to a wider selection of sizes and styles and to a substantially lower schedule of prices.

* * *

Pennsy Earnings Decline

Pennsylvania Railroad reports April net income of $1,356,012, compared with $2,767,947 in April, 1949. Cumulative deficit for the first four months of 1950 stands at $1,693,381. Red figures will be sharply increased when May returns are tabulated, reflecting effects of the "featherbedding" firemen's strike which crippled the railroad's freight and passenger service north and west of Harrisburg.

* * *

PHILADLEPHIA—Stockholders of Pennsylvania Railroad have authorized the modification of leases with seven underliers the result of which is to eliminate payment to the lessor companies of that portion of the rental which would otherwise return to Pennsylvania in the form of dividends.

* * *

Non-Melting Grease

PITTSBURGH — Scientists at Mellon Institute, as reported in the "Wall Street Journal," have developed a lubricating grease composed of a fine-grain clay, mined as Bentonite, to which oil is added. The new product, known as "Bentone," doesn't melt, has desirable now-temperature characteristics and is resistant to water. Research in its development has been carried on over the last nine years.

* * *

Budd Co. Agreement

PHILADELPHIA — A pension plan providing for payments of $68 per month in addition to social security benefits for workers with 25 years of service when they reach 65 has been approved by the Budd Co. and the independent office workers union of its Huntington Park plant. Company contributions will be deposited with an insurance company and the fund will be administered by a board composed of three union representatives and three company representatives.

The Budd Co. has received an order from Pennsylvania-Reading Seashore Lines for six self-propelled rail Diesel cars. Total cost, $772,500.

* * *

Gulf Oil's Sales Climb

PITTSBURGH — Pointing out that production allowables in the United States are rising, S. A. Swensrud, President of Gulf Oil Corp., told annual meeting of stockholders that he expects Gulf's 1950 sales to regain the billion dollar level. Sales for 1949 were $984,000,000.

* * *

Outpaces National IUE Vote

PHILADELPHIA — Last week the International Union of Electrical Workers (CIO) won an important victory over the left-wing United Electrical Workers Union in 57 General Electric Corp. plants across the nation. The popular vote was 47,486 to 36,763, a ratio of about 4 to 3. At the company's Philadelphia plant the vote was: IUE, 2,312; UE. 1,102, better than a 2 to 1 majority.

H. T. Freeland With American Securities

American Securities Corp., 25 Broad Street, New York City, announces that H. Theodore Freeland has joined the organization as Manager of the corporate trading department. Mr. Freeland was formerly Manager of the trading department of the New York office of Graham, Parsons & Co. and prior thereto was Manager of the bond department for their Boston office.

H. Theodore Freeland

Now With Detmer Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Richard A. Sullivan is now with Detmer & Co., 105 South La Salle Street, members of the Midwest Stock Exchange. He was formerly with Cruttenden & Co., and Shields & Co.

Harris, Upham Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William E. Selwyn has been added to the staff of Harris, Upham & Co., 523 West Sixth Street.

N. Y. State to Sell $70.3 Million Bonds Via Competitive Bids

Frank C. Moore, New York State Comptroller, will open sealed bids at his office, 270 Broadway, New York 7, N. Y., at 11:30 a.m. (DST) on June 6 for the purchase of $70,310,000 bonds, consisting of $58,310,000 housing and $12,000,000 grade-crossing elimination issues. Each issue will be dated June 15, 1950. The housing bonds will mature $1,190,000 annually on June 15 from 1952 to 2000, incl., and will be optional, at par and accrued interest, beginning June 15, 1990. The grade-crossing obligations will mature $600,000 annually on June 15 from 1951 to 1970, incl., and are optional, at par and accrued interest, on and after June 15, 1967. Bidder is to name the rate of interest, not exceeding 4% on either issue.

Frank C. Moore

Waddell & Reed Add

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Ill.—Carl H. Brown is affiliated with Waddell & Reed, Inc., of Kansas City.

Wm. Anderson With Lee Higginson Corp.

Wm. A. Anderson

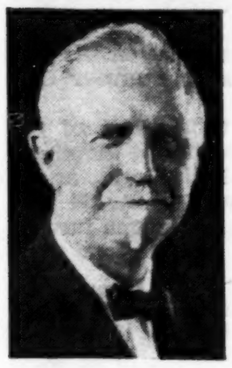
CHICAGO, Ill.—Lee Higginson Corp., 231 South La Salle Street, announces that William A. Anderson has become associated with them in the trading department of their Chicago office. Mr. Anderson was formerly with Hickey & Co. as Manager of the Stock Department.

Jobs for June Graduates

By ROGER W. BABSON

Noting half-million college graduates will come into labor market this spring, Mr. Babson foresees more unemployment due to various recent economic developments. Says salesmanship now offers best business career opportunity.

One and three-quarter million boys and girls will graduate from our schools and colleges this May and June. Their job outlook is bleak. Nearly half their number will graduate into unemployment!



Roger W. Babson

There is already a pool of unemployed estimated roughly at 5,000,000. In addition, 500,000 college graduates will come onto the job market late this spring. Another 1,200,000 high school graduates will receive their diplomas by late June. Of these high school graduates, 240,000 will go on to college. About 200,000 of the girls will marry. The balance—760,000—will seek employment. School officials say that another 600,000 drop out of school and college each year for one reason or another. They, too, become job hunters.

There are six reasons for the gloomy outlook: (1) The wartime and postwar shortages have now been mostly filled. (2) Industries have been making careful efficiency studies to cut mounting labor costs. (3) Since most industries are no longer expanding, much hiring is on only a replacement basis. (4) Individuals are graduating from schools and colleges faster than jobs are becoming available. (5) Present workers are living longer and retaining their efficiency longer. (6) The low wages of skilled foreign labor are becoming a factor through increasing imports. Even in the best postwar years, fewer than a million new jobs a year have developed. Hence, many 1950 graduates—probably about 50% of them—will graduate into unemployment.

Analysis of Job Market

There is already an oversupply of accountants, clerks, chemists, engineers, journalists, lawyers, business administration majors, and personnel workers.

On the other hand, there are still good opportunities in merchandising, marketing, business research, architecture, insurance, banking, medicine, nursing, pharmacy, social work and school teaching. This latter field and salesmanship offer the best opportunities.

Indications for Job Hunters

Big businesses, in their mad scramble to get college graduates when the supply was small, bid against one another for college talent. Jobs at fancy salaries were then easy to get. But the college graduate was not always prepared to move as fast as some companies moved men. Others were forgotten and not moved as rapidly as promised. Impatience set in and the graduates became job-hoppers. Many businessmen began to feel that "young graduates are in too much of a hurry to become Vice-Presidents!" Consequently, many employers now prefer to hire unemployed experienced workers because they have at least had some economic sense knocked into their heads the hard way.

The implications for the 1950 job hunter are obvious: (1) He must first of all know himself—his abilities, his vocational interests, his character, and his personality traits. (2) He must have some general idea of how he can utilize his interests and abilities to the maximum and *thereby develop into an efficient, highly productive worker for his employer.* This means approaching his prospective employer with an attitude of "What can I do for you?" instead of "What can you do for me?" (3) He should expend the energy necessary before a job interview to learn something about a company, its products, and where he might best fit into the scheme of things.

Forget Salaries

Job seekers of 1950 who are too lazy to do these three things may find themselves graduating into unemployment. As one who employs many hundreds myself, I can tell you that on the other hand, there will always be good opportunities for trained men of character, energy and fighting qualities. I always employ all the "red-heads" I can find when they do not think too much of salary.

With Beardslee-Talbot

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — David L. Sutherland is with Beardslee-Talbott Company, 607 Marquette Avenue.

CORRECTION

In the "Financial Chronicle" of May 25 it was reported that Lawrence W. White, formerly of Schirmer, Atherton & Co., had become associated with Scudder, Stevens & Clark. This was in error. Lawrence Warburton White is still associated with Schirmer, Atherton & Co. with whom he has been connected for a number of years. It was Lawrence Wheeler White who joined the staff of Scudder, Stevens & Clark.

With Minneapolis Associates

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Lynn B. Roam has joined the staff of Minneapolis Associates, Inc., Rand Tower.

With A. A. Tibbe & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Clarence E. Hasselbach has become associated with A. A. Tibbe & Co., 506 Olive Street. Mr. Hasselbach has recently been with Associated Fund, Inc. Prior thereto he was with Edward D. Jones & Co.

With J. B. Hanauer Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Howard W. Heintz has become affiliated with J. B. Hanauer & Co., 639 South Spring Street. He was formerly with E. F. Hutton & Co., and Pacific Company of California.

Can Private Enterprise Achieve Objectives of Welfare State?

By CARROL M. SHANKS*
President, Prudential Life Insurance Co. of America

Insurance executive, holding productivity of nation is increasing so rapidly that objectives of Welfare State can be accomplished without damage to the economy, contends, however, instead of bill being paid out of taxes it could be met by the people themselves through private financing. Cites successful privately undertaken insurance coverages as well as pension plans, and urges their extension without involving changes in present pattern of individual protection.

The so-called Welfare State has many objectives, all of them pleasant to contemplate. In attempting to reach these objectives it is proposed to extend government services in some areas where the government has every right to act, and where an extension of its activities is probably advisable. But it also proposes the assumption of certain duties on the part of the government, which are, to say the least, open to question.

Carrol M. Shanks

The most glib protagonists for the government - controlled Welfare State indicate that it comes like a prize in a Craker Jack box, as a reward for electing the right people. The opposition insists that it is an expensive luxury that will bankrupt the nation and may leave Socialism, Fascism or Communism in its wake.

Seen in the most reasonable light, it would seem that the services promised under the Welfare State are, as services, in general desirable, and in one way or another they probably will be made available to the common man. They will cost a certain amount to deliver, whether paid for through taxation or by individuals hiring the service directly under some insurance or cooperative plan.

I know of no economist of record who has yet calculated how much it would cost the individual to buy these services directly as against costs of the government providing them out of taxes; nor has it been ascertained how many people could afford to buy such services against the number who would receive them if they were furnished by the government; nor has the probable difference in quality between the two types of service been brought out. Nor has it been clearly shown what progress has been made toward reaching the same objectives without the aid of the government—progress toward what might be called a private rather than government Welfare State. I have drawn together some interesting facts in these matters, although no complete comparison of costs is yet available. These facts have to do with the nature of the so-called Welfare State, and how the services promised by its promotors might be secured without assuming the liabilities of a government-controlled Welfare State. These liabilities which include virtual inevitability of all-powerful central government, tyranny and the end of freedom are not my central concern here today.

What Is Welfare State?

First of all, let's take a sharp look at the so-called Welfare State. What is it?

What it promises, reduced to its simplest terms, is this:

(1) A fuller life—more things for everybody.

(2) Sickness, health and accident protection.

(3) Old-age security.

(4) Elimination of poverty.

(5) Better homes to live in.

The government-controlled Welfare State is a scheme to achieve these things through political devices.

Mr. Truman's economic advisers think the nation is wealthy enough to support such a program. They say the productivity of the country is increasing so rapidly that the substantial costs involved can be met without damage to the economy.

I think there are grounds for agreeing with the President's advisers.

The yearly increase in productivity has been variously estimated at about 1% by the pessimists, and at approximately 3% by the optimists. Our own research group came up with a figure of 2%, which approaches the one arrived at by the President's economic advisers.

If this is the case, the services involved in the so-called Welfare State probably would not bankrupt the nation. But if this increasing productivity makes it possible to pay the bill out of taxes, *it is likely to make it even more possible for the people to pay the bill themselves,* which would expedite matters and prove far more economical. For one thing, government bureaus are noticeably less efficient than private organizations; for another, the funds collected by the government for social service purposes are used in a dishearteningly large part for expenses; the number of people in government would further increase—a number which has doubled between 1930 and 1950. On the other hand, private methods generally involve some setting up of reserves which not only earn interest but serve as the veritable life blood of free enterprise needing ever newer and more modern plant and equipment; and eventually the interest plus efficient handling is reflected in lower rates—or more value for the money.

Moreover, private financing of the objectives of the Welfare State would have other advantages, although that is not the point I wish to discuss today.

If the government does it, the government must police it. It must conduct elaborate investigations. The government — which means politics—will become deeply involved in the personal and private affairs of its citizens. Eventually this means the loss of many of the gratifying freedoms we have always enjoyed.

Welfare State vs. Private Enterprise

If it costs no more to finance a Welfare State privately, why should the common man take the risk that the Welfare States invites?

But would it be possible to create a privately financed Welfare State?

Let's take a look at the progress that has been made over the years in approaching the objectives of the Welfare State without any direct financial participation of the government.

First, how about the fuller life, fore things for everybody?

Under our type of economy, the fuller life comes as a natural consequence of an increase in productivity. As the net output per man-hour increases, so does the buying power of the working man.

The year that the Town of Kansas was incorporated, the net output per man-hour (translated into 1949 prices) was 29.1 cents. Today, the net output per man-hour is more than 5 times as great. It looks as though by 1960 the net output per man-hour will reach $2.31, almost 8 times as great as in 1850. In every single decade from 1850 to 1950, the net output per man-hour has increased anywhere from 3.6% in the decade ending in 1880, to 44.6% in the decade between 1940 and 1950.

This output is directly reflected in increased purchasing value of an hour of work. Some figures are available on this: In 1914, when the net output per man-hour was around 70 cents, the common man worked twice as long as he works now to pay the family bills. In 1914, food cost the average worker 29.4 hours a week. In spite of sharply increased food prices, today's food bill costs him 12.4 hours per week. Less than half as much.

Assuming that the average manufacturing wage earner's hour of work in 1914 was worth 100% in purchasing power, then according to the National Industrial Conference Board, an hour's work was worth 150% in 1929, 233% in 1939, and 234% in 1948. This inflation of the 1940's effectively slowed down percentage gains.

Nevertheless, through the functioning of our established system of business and economics, the common man has been achieving the first requisite of the Welfare State; more things for everybody. Moreover, he has been achieving it at an accelerated rate as industrial techniques have matured, and mass production has reduced prices and increased pay.

There is no reason to believe that this trend will change in the future provided our system of free private enterprise is permitted to function.

Now let's look at another aspect of the Welfare State: Sickness, hospitalization and accident protection.

Health and accident insurance policies have existed for many years. Their growth has been steady, and in the past few years there has been a pronounced acceleration in coverage. But the most striking demonstration of what is happening in this field can be seen by the growth of hospitalization insurance plans. 15 years ago scarcely anyone was enrolled in any sort of hospitalization insurance plan; today voluntary hospital coverage stands at around 60 million and by the end of 1950, 75 million are expected to be enrolled. Surgical insurance plans, younger than hospital plans, will cover 40 million. By the end of the year overall medical insurance plans will cover 20 to 25 million.

Voluntary Insurance Plans Widespread

Thus, nearly half of the people in the United States are already covered by voluntary insurance plans that cost them little, and insure them against the costs of sickness.

It would appear that anyone with any kind of a job, or with any income, will have sickness, health and accident insurance protection before long. They will buy it and pay for it. In most cases, employers will shoulder all or part of the cost. And where it requires a family expenditure, the expenditure will certainly be no

Continued on page 20

*Part of an address by Mr. Shanks before the Chamber of Commerce, Kansas City, Mo., May 24, 1950.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

During the next six months a growing number of fire and casualty insurance companies can be expected to increase their dividend distributions to shareholders.

Possibly one of the most significant factors indicating higher dividend payments by the different companies within the industry is the relationship between dividends and net investment income. In the prewar period, the dividend policies of most companies were based to a large extent on the level of investment income. Undewriting profits were used to build up surplus accounts and practically all of the investment earnings were paid out to the stockholders.

In the period from 1929 to 1942 a representative group of companies paid in dividends between 80% and 85% of their investment income. This same situation continued during the war years.

For the last three years the percentage of investment earnings paid as dividends has been around 65% with a large number of companies paying between 50% and 60%.

This fact is clearly shown in the following tabulation of a group of selected fire insurance companies. The investment income per share for the past two years, indicated annual dividend, and dividend payment as a percentage of investment income for 24 of the major companies are presented below. Per share figures have been adjusted to the present capitalizations.

	Investmt. Income 1949	Investmt. Income 1948	Indicated Dividend	Dividend as % of Income
Aetna Fire	$3.59	$3.42	$2.00	55.7%
Agricultural Insurance	5.93	5.21	3.25	54.8
American Insurance	1.43	1.27	0.90	62.9
Boston Insurance	3.56	2.84	2.40	67.4
Continental Insurance	3.82	3.30	2.00	52.4
Federal Insurance	3.06	2.53	1.80	58.8
Fidelity-Phenix	4.04	3.48	2.00	49.5
Fireman's Fund	4.78	4.17	2.60	54.4
Fireman's Insurance	2.24	1.72	0.60	26.9
Glens Falls	2.59	2.50	2.20	84.9
Great American	2.16	1.98	1.20	55.6
Hartford Fire	5.27	4.57	3.00	56.9
Home Insurance	2.37	2.15	1.60	67.5
Insurance Co. of No. America	7.06	5.89	3.50	49.6
National Fire	4.26	3.89	2.50	58.7
Hew Hampshire	3.24	3.23	2.20	67.9
New York Fire	1.83	1.79	1.00	53.8
North River	1.61	1.54	1.20	74.5
Phoenix Insurance	4.62	3.98	3.00	65.1
Providence-Washington	2.36	2.22	1.40	59.3
St. Paul Fire & Marine	5.21	4.41	2.60	49.9
Springfield Fire	2.86	2.55	2.00	69.9
United States Fire	3.65	3.43	2.40	65.8
Westchester Fire	1.30	1.24	1.00	76.9

In recent years problems concerning capital funds and underwriting operations have been among the principal reasons why a larger proportion of investment income has not been paid out.

Immediately after the war there was a substantial increase in premium volume. The available business was so large that many companies had to obtain additional capital through the sale of stock to maintain the desired capital funds ratio. Thus so long as the premium volume was increasing there was a need to retain earnings to build up capital.

It was during this period that the combination of rising premium volume, low rates, and increasing costs resulted in a substantial statutory underwriting losses for many companies. Even though investment income was improving, the managements would not increase dividend payments at such a time.

Gradually, these various problems were solved or conditions changed. Premium volume leveled off, rates were adjusted to the new level of costs and underwriting operations became extremely profitable. The capital positions improved as a result.

During this period investment income was growing from the larger volume of funds available for investment and in the case of companies holding common stocks, from a rising trend of dividend payments. Also, as the pressure on capital eased, a greater proportion of funds could be invested in common stocks or securities returning higher yields.

The return of more normal conditions in the insurance business resulted in a considerable number of dividend increases or stock dividends during 1948 and 1949. Still the proportion of investment income paid out in most cases remained conservative. At the same time investment earnings continued to improve from the generally favorable conditions existing in the investment field.

Thus the fundamentals would seem to indicate a period of gradually increasing dividend payments by many of the fire insurance companies.

COMING EVENTS

In Investment Field

June 2, 1950 (Buffalo, N. Y.)
Bond Club of Buffalo Spring Party at Wanakah Country Club.

June 2, 1950 (Chicago, Ill.)
Bond Club of Chicago annual field day at the Knollwood Country Club.

June 2, 1950 (Los Angeles, Calif.)
Bond Club of Los Angeles annual field day at Bel-Air Country Club.

June 2, 1950 (New York City)
Bond Club of New York annual field day at Sleepy Hollow Country Club, Scarborough, N. Y.

June 5, 1950 (Boston, Mass.)
Boston Investment Club monthly meeting; Mayo Adams Shattuck speaker.

June 5-8, 1950 (Canada)
Investment Dealers Association of Canada 34th Annual Meeting at the Seigniory Club, Montebello, Quebec.

June 6, 1950 (New Jersey)
Bond Club of New Jersey outing at the Montclair Golf Club.

June 8, 1950 (Boston, Mass.)
Boston Securities Traders Association Thirty-first Annual Outing at New Ocean House, Swampscott, Mass., with golf at the Tedesco Country Club nearby.

June 9, 1950 (Baltimore, Md.)
Bond Club of Baltimore annual outing at the Elkridge Club.

June 9, 1950 (Kansas City, Mo.)
Bond Traders Club of Kansas City annual field day at Quivera Country Club.

June 9, 1950 (New York City)
Municipal Bond Club of New York annual meeting and field day at Sleepy Hollow Country Club, Scarborough, N. Y.

June 9, 1950 (Philadelphia, Pa.)
Philadelphia Securities Association annual field day at the Aronomink Golf Club, Newtown Square, Pa.

June 10-11, 1950 (Georgia)
Georgia Security Dealers Association annual outing at the Hotel Tybee, Savannah, Ga.

June 10-11, 1950 (San Francisco, Calif.)
San Francisco Security Traders Association annual spring outing at the Diablo Country Club, Contra Costa County, Calif.

June 14, 1950 (Minneapolis, Minn.)
Twin City Bond Club annual picnic at the White Bear Yacht Club.

June 16, 1950 (Milwaukee, Wis.)
Milwaukee Bond Club annual picnic at the Lake Club and the Oconomowoc Country Club.

June 16-18, 1950 (Minneapolis, Minn.)
Twin City Security Traders Association summer party at Grandview Lodge, Gull Lake, near Brainerd, Minn.

June 16, 1950 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual field day at Whitemarsh Country Club.

June 16, 1950 (Toledo, Ohio)
Bond Club of Toledo 16th annual Outing at the Inverness Club preceded by a cocktail party and buffet dinner June 15 at the Commodore Perry Hotel.

June 20, 1950 (Louisville, Ky.)
Bond Club of Louisville annual summer outing and election of officers at the Louisville Boat Club.

June 20, 1950 (New York City)
New York Curb Exchange 5 & 20 Club annual golf tournament at Wheatley Hills Golf Club, East Williston, Long Island.

June 21-23, 1950 (Boston, Mass.)
Municipal Bond Club of Boston parties at Hotel Statler and outing at Concord Country Club.

June 23-25, 1950 (Los Angeles, Calif.)
Security Dealers Association of Los Angeles spring outing at the Hotel del Coronado.

June 23, 1950 (New York City)
New York Security Dealers Association Annual Outing at the Hempstead Golf Club, Hempstead, Long Island.

June 24, 1950 (Chicago, Ill.)
Bond Traders Club of Chicago annual outing at the Nordic Country Club.

June 26-27, 1950 (Detroit, Mich)
Security Traders Association of Detroit & Michigan, Inc., and Bond Club of Detroit joint summer outing and golf outing at Plum Hollow.

June 28, 1950 (Pittsburgh, Pa.)
Bond Club of Pittsburgh annual spring outing at the Field Club.

July 7, 1950 (New York City)
Investment Association of New York annual outing at the Westchester Country Club, Rye, N. Y.

Sept. 15, 1950 (Philadelphia, Pa.)
Bond Club of Philadelphia Field Day at the Manufacturers Country Club.

Sept. 26-30, 1950 (Virginia Beach, Va.)
Annual Convention of the National Security Traders Association at the Cavalier Hotel.

Oct. 12, 1950 (Dallas, Tex.)
Dallas Bond Club Annual Fall Meeting.

Nov. 26-Dec. 1, 1950 (Hollywood, Fla.)
Investment Bankers Association annual convention at the Hollywood Beach Hotel.

Dec. 8, 1950 (New York City)
New York Security Dealers Association Silver Anniversary Dinner at the Waldorf Astoria Hotel (Starlight Roof).

Davis With Claybaugh

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Charles B. Davis has become affiliated with Blair F. Claybaugh & Co., 141 Northeast Third Avenue. He was formerly with Cohu & Torrey and Frank D. Newman & Co.

F. I. du Pont Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—George Tavantzis has been added to the staff of Francis I. du Pont & Co., 2809 Collins Avenue. He was formerly with A. M. Kidder & Co.

With Investors Corp.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Joseph Kirschenbaum, Michael L. Mink, and James D. Qualey have been added to the staff of Investors Corporation of Florida, 111 Northeast Second Avenue.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Allen B. Lewis has joined the staff of Bache & Co., 135 South La Salle Street.

Why Sen. Taft Opposes European Arms Aid

Senate Republican leader explains why he has opposed measures urged by Sen. Vandenberg and other Republicans. Contends Atlantic Pact and direct shipment of arms to Western European nations is more likely to bring war than peace. Favors arming ourselves more effectively.

Appearing at the "Meet the Press" radio and television program on May 28, Sen. Robert A. Taft explained why he has opposed various important measures in Congress for checking the expansion of Soviet Communist influence which have been supported by Senator Vandenberg and others of his Republican colleagues on the Senate Foreign Relations Committee. In answer to a reporter's query, Senator Taft stated that he was not opposed to all foreign-aid measures, adding:

Robert A. Taft

"Sometimes I favored them because I thought they would be effective, and in other cases I opposed them because I thought they would not be. I was against the Atlantic Pact because, as you see, it involves the program—contract in effect—by which we undertake to arm Europe and spend anywhere from a billion to a billion and a half dollars a year on a brand new program for arming Europe. I think perhaps the last time I was on this session we spent most of the time on the question. I explained that I think for us to go out and arm half the world is far more likely to bring us a third World War than it ever is to bring peace. And I think we should not have undertaken any general arming of Europe. In particular cases, I'm quite willing to arm where the threat is immediately obvious, but to start out on a five-year program to arm Europe, when you can't possibly get it done within five years, seems to be to just leave it open for Russia to feel, let's begin the war now. Let's not wait until they're ready, because when they are ready they're going to attack us. It seems to me therefore that the whole effect of this arms program is to increase the probability of war. And I think the one purpose of our foreign policy today is to be to make the possibility of war less."

When asked, in the event of an immediate threat of war, it might be too late for U. S. to arm adequately, Senator Taft replied:

"It wasn't too late in Greece, it wasn't too late in Turkey. What I object to is undertaking by contract to arm about 20 nations all around the world, all around Russia, obviously an aggressive move. We say defensive, but it's obvious—could be used for aggression just as well, and it seems to me that it means an arms race. The Russians already have stepped up their arms, their arms production, their arms preparations, and the necessary result of every arms race in history of the world has been war. That's what we have stimulated by going out, not just arming ourselves to defend ourselves, but we're arming half the world against the other half of the world. . . . I think they (the Russians) are arming much more rapidly when we threaten them with a rapid increase in our arms."

When asked, "Do you think it's a mistake to have allies then and to help those allies prepare themselves for war?" the Senator stated:

"I think it's a great—I think exactly what I say—I think it's a great mistake for us to undertake to arm half the world against the other half of the world, particularly as we have no assurance that they'll do any fighting or that they'll use our arms. We don't know what the French Government will do when the war comes. We don't know whether the Communists can take over in France. We don't know whether the Communists can take over in Belgium. Do you think Belgium and Holland for one minute would defend themselves with the arms we give them if Russia notifies them that the next day they're going to drop an atom bomb on Holland or Belgium? The thing only stimulates war, it's a futile operation in my opinion. It seems to me that it's perfectly obvious that we have no assurance that once those arms are delivered, they will be used for us. We have no assurance that they won't be surrendered to the Russians. We have no assurance that the Communists won't take over those countries. It seems to me besides being dangerous, it is maybe an extremely futile operation."

To a question, "What then is your answer as far as arming them is concerned?" Senator Taft stated firmly:

"I would not arm Europe. Let Europe work out its own solution. In my opinion, let us arm ourselves. There's one thing that will deter Russia from war, and that is a strong American Air Force, a strong American supply of atomic bombs. That's the only thing that is going to deter Russia from an aggressive war. And in the last analysis, in that war they know that the winning of that war is going to depend on America. It's not going to depend on whether these countries are ours or not ours. They're not—the only thing that arming them does . . . and we go on spending billions and billions of dollars in arming them, the Russians may well feel some day they're going to attack Russia. And then you do have rather an incitement to the Russians to undertake this aggressive war we want to avoid than a deterrent."

Replying to a question whether he was in favor of former President Hoover's plan to reorganize the United Nations without the Communists, Taft stated: "I don't think so. No, I don't. I think this. I always felt that the Atlantic Pact was a great mistake. The original proposal of a group within the United Nations was made by Hamilton Fish Armstrong as a method of getting an ideal United Nations without a veto power within the other, the big United Nations. Leave Russia out of that. It would be an inferior body, but it would work. There might be reason to think the Russians would come in. And so I have been in favor of building up that. But I wouldn't ever—I've never been in favor of trying to exclude the Russians from the United Nations, as Mr. Hoover proposed."

Continuing, Senator Taft said: "I'm no non-interventionist in Europe. I was in favor at the time of telling the Russians if they attacked Western Europe, they'll find themselves at war with us. I'm willing to say to the Russians: you can go so far and no further. But—and so, also, in the Far East. The policy is perfectly consistent. I would say that so far and no further. Formosa—you're not in Formosa today. Don't go into Formosa. I think I would provide arms for them if they wish them because they're right on the border and they have Communists in their country so that the—the threat—is immediate as the next point where it looks as if there might be a Communist aggression. . . . I supported Greece and I supported Turkey. There were practical places where the thing could be done. But this business of doing the whole world—I don't—I think it is too much for us. It's diffusing our resources. If we have a couple more—two or three billion dollars to spend, let's increase our own arms, own own air force."

When queried as to the consistency of his advocacy of going to war with Russia in the event Russia attacked a European nation, and at the same time objecting to arming of Western European nations, the Senator made the following explanation:

"I think that we're going to have to do it (i.e., arm Europe) in the end anyway. And I think our reliance on these people and the diffusion of arms through Europe is just going to waste our resources. I don't think they'll—I dont' think they're ever going to defend themselves, certainly not for—not five or ten years from now. I forget how long they say themselves that they'll have to be armed before they can defend themselves against Russia. But it's at least five years or six years. . . . To rearm Norway, Belgium, Denmark, Germany, Austria, Italy, Greece, Iran, all the countries around Europe would make war more likely because the Russians very naturally think they're building a great ring of armed forces around us. If we wait until that job is completed, they will move in on us. And I don't know that they won't. I don't know whether they will or not. But I'm only saying that I think the Russian mentality is such that that is more likely to make them start this war. There's only one contingency on which we'll have a Third World War—that is, if the Russians decide that they want military aggression, that they will engage in military aggression. What is going to make that more likely, and what is going to deter them? The one deterrent, in my opinion, is an American military force, and you can have help here and there, where—where we feel that if we give the help, it will actually hold the Russians back."

Robert E. O'Keeffe Is With Spencer Trask Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Robert E. O'Keeffe has become associated with Spencer Trask & Co., 135 South La Salle Street. Mr. O'Keeffe was formerly with Cruttenden & Co. and was Chicago Manager for Wm. R. Staats Co.

Join Wheelock Cummins

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert D. Miller and Bernard W. Risse have become associated with Wheelock & Cummins, Inc., 135 South La Salle Street. Both were formerly associated with E. W. Thomas & Co.

With Dean Witter Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — W. Warren Nolan is now with Dean Witter & Co., 632 South Spring Street. In the past he was with Franklin Wulff & Co., Inc.

NSTA Notes

"AD LIBBING"

Charles O'Brien Murphy, III, of Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City, is a member of the NSTA Advertising Committee as Chairman of the New York Group (STANY).

C. O'Brien Murphy III

O'Brien here in New York has just recently demonstrated, as Chairman of STANY's annual dinner held last month, what an able individual he is. He is destined, through his active and pleasing personality, to add to his already innumerable number of friends.

The New York affiliate has always produced the largest number of advertising contracts in the past for our yearbooks, but it is the opinion of many that Charley Murphy will initiate ideas that will develop an even bigger interest on the part of our local members in soliciting ads, particularly from companies whose securities we trade.

HAROLD B. SMITH, Chairman
NSTA Advertising Committee
Pershing & Co.
120 Broadway, New York City.

BOND CLUB OF LOUISVILLE

The Bond Club of Louisville will hold its Annual Summer Outing on Tuesday, June 20, 1950, at the Louisville Boat Club.

Also at this time the election of officers for the year 1951 will be held. The Nominating Committee has presented the following slate:

Wm. J. Coniiffe

Hector Bohnert

William O. Alden, Jr.

President: William J. Conliffe, Merrill Lynch, Pierce, Fenner & Beane.
Vice-President: Hector Bohnert, The Bankers Bond Company.
Treasurer: William O. Alden, Jr., O'Neal, Alden & Company.
Secretary: Wesley Rutledge, Stein Bros. & Boyce.

SECURITIES TRADERS ASS'N OF DETROIT AND MICHIGAN

The Securities Traders Association of Detroit and Michigan and the Bond Club of Detroit are holding a combine outing June 26 and 27 at the Detroit Boat Club.

On Monday a cocktail party will be held at the Club to be followed by Buffet Dinner at 7:00 p.m.

On Tuesday, the event will be at Plum Hollow Golf Club, all day. A golf tournament is scheduled, with soft ball, cards, dominoes, horseshoes and a putting contest for non-golfers. Dinner at 7:30 p.m.

Guest fee is $25 for both days or $15 for one day. Checks should be made payable to the Bond Club of Detroit and mailed to Bert F. Ludington, Straus & Blosser, Penobscot Building.

G. C. Haas & Co. 40th Anniversary

G. C. Haas & Co., 63 Wall Street, New York City, members of the New York Stock Exchange, are celebrating the 40th anniversary of the founding of the firm today (June 1). The firm was originally established on June 1, 1910 by George C. Haas and Edwin A. Seasongood under the name of Seasongood & Haas. It operated under this name until Jan. 1, 1917, when the late Gordon Macdonald became a partner. The firm was known as Seasongood, Haas & MacDonald until May 15, 1929, shortly before Mr. MacDonald's death, when the name of Seasongood & Haas was resumed. This name was continued until May 1, 1948, when Mr. Seasongood retired from the firm and the name was changed to its present form. Mr. Haas has been with the firm, which conducts a general brokerage business, since its inception.

In January 1948 the firm expanded the activities of its bond department by acquiring the bond department of Charles Clark & Co. under the management of the late Myron F. Schlater. William W. Mezger is now in charge of this department, succeeding Mr. Schlater. Present general partners in the firm are George C. Haas, G. Hinman Barrett, Richard W. Ince, William P. Marseilles, Jr., a member of the New York Stock Exchange, and Alfred Levinger, a limited partner.

Robert Showers Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Ewald A. Balgemann has been added to the staff of Robert Showers, 10 South La Salle Street.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

PEORIA, Ill.—Joseph P. Kelly, III is connected with Waddell & Reed, Inc. of Kansas City.

The Accounting Profession And SEC Regulations

By EARLE C. KING*
Chief Accountant, Securities and Exchange Commission

SEC accounting executive explains power and duties regarding accounting given by Congress to the Commission. Holds SEC is empowered to establish principles and standards to be followed by financial statements filed with it and, though no set of specific accounting rules have been prescribed, corporate accounting officers are held responsible in following established accounting principles. Cites dependence of SEC on the accounting profession for establishing sound principles and calls for more and closer cooperation between corporate controllers and the SEC. Reveals SEC is revising its accounting regulations

The Securities and Exchange Commission is charged with the administration of several statutes, principal among which are the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935 and the Investment Company Act of 1940. Each of these statutes requires that certain financial statements be filed with the Commission. Thus accounting and accountants play an extremely important role in the work of the Commission.

Earle C. King

The Congress did not, so far as I am aware, in any of these statutes lay down specific principles or standards to be followed in the preparation of financial statements filed pursuant thereto. However, it did not leave the way open for those responsible for the preparation of such statements to rely solely upon their own judgment as to the manner in which they should be presented; for in addition to requiring the Commission to obtain balance sheets, income statements and other data in certain circumstances, in most instances the nature and details of the items comprising these statements are specified by statute.

Furthermore, the Securities Act provides that the required financial statements shall be certified by "an independent public or certified accountant" and the other three statutes provide that the Commission may require that such statements be accompanied by a certificate of "independent public accountants." The Commission's rules require that statements filed pursuant to the Securities Exchange Act and the Investment Company Act be so certified.

In addition to the foregoing statutory restrictions upon the indiscriminate use of accounting concepts in financial statements made public through filings with the Commission, each of the statutes charges the Commission with making certain that such statements contain all information necessary or appropriate in the public interest or for the protection of investors; and in order that the Commission may be in a position to carry out this mandate both the Securities Act and the Securities Exchange Act authorize the Commission, among other things, to "prescribe the form or forms in which required information shall be set forth, the items or details to be shown in the balance sheet and earning statement, and the methods to be followed in the preparation of accounts, in the appraisal or valuation of assets and liabilities, in the determination of depreciation and depletion, in the differentiation of recurring and nonrecurring income, in the differentiation of investment and operating income, and in the preparation, where the Commission deems it necessary or desirable, of consolidated balance sheets or income accounts of any person directly or indirectly controlling or controlled by the issuer, or any person under direct or indirect common control with the issuer. . . ."[1]

It will be seen from the foregoing that the Commission definitely is empowered to establish principles and standards to be followed in the preparation and presentation of financial statements filed with it.

Methods of SEC

In arriving at a solution to the accounting problems confronting it in connection with those two statutes, several lines of approach were open to the Commission. It might attempted to promulgate definite rules and regulations relating to all accounting matters involved in financial statements filed with the Commission. Such procedure, it seems to me, would have been impracticable and certainly undesirable, for the ramifications of accounting are so extensive that to have attempted to establish what would amount to a body of accounting principles would have constituted an almost impossible task and could not have resulted other than in the formulation of a series of rules which, in many instances, would have been premature or unsound.

The Commission could have considered each set of financial statements filed with a view to having such data presented in a manner deemed preferable in the individual case. I am convinced that this approach would have resulted in inconsistencies which would have detracted from the comparability of statements and could only have added to the then existing lack of uniformity in accounting practice.

No Specific Accounting Rules Prescribed

Still another approach was to study the individual statements as filed to determine whether the accounting principles reflected therein and the methods followed in their preparation were generally recognized and, if not, to require that the statements be amended in accordance with sound and generally accepted accounting principles. It is this latter course which the Commission chose to follow and, as a consequence, we have refrained, so far as possible, from prescribing specific accounting rules, and statements may, generally speaking, to quote Rule 3-01 of the Commission's Regulation S-X, be filed "in such form and order, and may use such generally accepted terminology, as will best indicate their significance and character in light of the provisions applicable thereto."

In the early days of the Commission such rules and regulations pertaining to accounting matters as it was found necessary to promulgate were contained in the numerous forms prescribed for use under various circumstances or in the Commission's general rules and regulations applicable to each statute. Beginning in 1937 these rules and regulations were implemented by the issuance of the Accounting Series Releases. The first of these releases, of which there are now sixty-eight (68) was dated April 1, 1937 and was announced as the beginning of "a program for the publication, from time to time, of opinions on accounting principles for the purpose of contributing to the development of uniform standards and practice in major accounting questions."

One of these Accounting Series Releases—No. 4, dated April 25, 1938—announced as an administrative policy of the Commission that:

"In cases where financial statements filed with this Commission pursuant to its rules and regulations under the Securities Act of 1933 or the Securities Exchange Act of 1934 are prepared in accordance with accounting principles for which there is no substantial authoritative support, such financial statements will be presumed to be misleading or inaccurate despite disclosures contained in the certificate of the accountant or in footnotes to the statements provided the matters involved are material. In cases where there is a difference of opinion between the Commission and the registrant as to the proper principles of accounting to be followed, disclosure will be accepted in lieu of correction of the financial statements themselves only if the points involved are such that there is substantial authoritative support for the practices followed by the registrant and the position of the Commission has not previously been expressed in rules, regulations, or other official releases of the Commission, including the published opinions of its chief accountant."

Regulation S-X

In February of 1940 the Commission issued Regulation S-X, previously referred to, which gathered together the various rules, regulations and instructions pertaining to the form and content of financial statements which had previously been contained in the various forms and general rules and regulations of the Commission. While this regulation has been amended from time to time no substantial change has been made in the section (Article 5) applicable to commercial and industrial companies, which includes public utilities, or in the sections (Article 1 through 4) having general applicability to all types of companies.

Many accounting and reporting problems have arisen during the ten years that have elapsed since the adoption of Regulation S-X and their solution has resulted in changed viewpoints, not only on the part of industry and the accounting profession, but also the Commission. Furthermore, entirely new situations have come up requiring the establishment of new procedures. It is for this reason that it has been thought desirable to amend or revise Regulation S-X, a project upon which the staff of the Commission has been engaged for some months past.

From the foregoing it will be seen that the Commission, in determining whether financial statements contained in registration statements and other reports filed with it accomplish the purposes intended by the applicable statutes, has depended, in a large measure, upon the accounting profession to establish and make use of accounting principles which are sound and which may be considered to be the generally accepted accounting principles underlying the preparation and presentation of financial statements.

The promulgation of the Commission's first forms and general rules and regulations, insofar as they pertained to financial statement requirements, was a joint project upon which accountants in public practice and in industry, and educators specializing in accounting and kindred subjects worked closely with the Commission's staff. Controllers individually, and as a group, played an important part in accomplishing the task.

The first Accounting Series Release and all subsequent releases relating to matters involving accounting principles or the form and content of financial statements were submitted to representative individuals and groups who were identified with or directly interested in the preparation of financial statements for public use, for their comments and recommendation. These included individual certified public accountants, controllers (some who were C.P.A.s and some who were not) and teachers, the American Accounting Association, the American Institute of Accountants and the Controllers Institute. Many of the recommendations of these persons or groups are reflected in the releases as finally adopted. In addition a number of proposed releases were never issued because of meritorious objections received from those asked to comment upon them.

Regulation S-X was issued only after similar review, numerous conferences (which included the Controller's Institute's Committee on Cooperation with the SEC) and many drafts. Our requests for comment upon this regulation were addressed to more than 100 individuals, exclusive of those reached through professional organizations.

It will be noted that this procedure whereby the interested public has always been invited—indeed expected — to participate through letters or by conference, in the promulgation of rules and regulations affecting the presentation of financial statements, is now required by the Administrative Procedure Act which was enacted in 1946.

When the present proposal to amend Regulation S-X was made in September, 1949, copies of the preliminary draft were sent to 325 persons and an additional 75 or more were sent to persons who requested copies, mostly as a result of an item in the October, 1949 "Journal of Accountancy" which invited readers to obtain and comment upon the preliminary draft. Also several accounting firms and professional groups requested additional copies; so that in all, approximately 600 copies were sent out. Approximately 175 persons, including 46 controllers or principal accounting officers of corporations, submitted comments.

Task of Revising Accounting Regulations

Because of the large number of comments and recommendations received — including criticisms both constructive and otherwise— the task of revising the proposed amendment has not been easy. It is expected, however, that a new draft will be ready by July 1 of this year which will go through the same review procedure as the preliminary draft. The Administrative Procedure Act previously referred to requires that such draft be published in the Federal Register at least thirty days before it may become effective "to afford interested persons an opportunity to participate in the rule making through submission of written data, views, or arguments . . . "; and you may be assured that all interested persons will be permitted all the time necesssary to present their views before the regulation is finally amended.

On May 15, 1939, Commissioner Robert E. Healy, of the SEC, stated in an address before the Mid-Western Conference of the Controllers Institute:

"What we need, it seems to me, is a return to the recogntion that the primary responsibility for proper accounting rests on the corporate management in the person of the controller. Whether the books are audited or not, the stockholder has a right to look to the corporation's own accounting system for an adequate, intelligible and honest reporting of its affairs. Unless in its daily bookkeeping the corporation recognizes a responsibility to stock-

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*An address by Mr. King before the Midwestern Spring Conference of the Controllers Institute of America, Louisville, Ky., May 22, 1950.

1 Securities Act, Section 19(a); Securities Exchange Act, Section 13(c).

What Price Transportation?

By DONALD V. FRASER*

President, Missouri-Kansas-Texas Lines

Midwest railroad executive, in posing question, "can railroads continue to operate as private, self-sustaining enterprises," points out millions in Federal and State funds are appropriated to assist transportation agencies competing with railroads, thus making it difficult for the rails to conduct profitable operations. Calls for relaxation of regulations governing railroads, and restoration of competition "as recognized regulator of rates." Stresses current low return on railroad investment.

Because of the slim margin of profit on which the railroads are forced to operate, a wheat harvest failure could very well mean the difference between making a profit or operating at a loss, which in turn would have a bearing on the economic welfare of the territory through which those railroads operate. I do not believe there is any argument against the fact that a prosperous railroad enhances the well-being of the communities it serves—and that poor railroad earnings are quickly reflected in the prosperity and progress of those communities.

D. V. Fraser

The fact that we are, this year, suffering from a greatly curtailed wheat harvest, because of adverse weather conditions, lays some emphasis on the subjects that I wish to discuss with you.

I am one of those who believe it is always possible to give a new approach to an old problem if we are sound in our understanding of what the problem is. Since, in our American private-enterprise system of doing business, the basic incentive is to be able to operate efficiently and profitably — in the best interest of our customers, our owners, our employees, and the public—the root of any business problem involves the relationship between production cost and selling price. In the transportaiton industry, production costs must include all costs of providing, maintaining and operating the transportation plant, which in turn must establish the selling price for the transportation produced. Otherwise we have an unhealthy industry. I have, therefore, decided to talk to you today on the subject, "What Price Transportation?"

What Future for Railroads

So often we hear these questions asked—"What is the future of the railroads?" "Can they ride out the storm of subsidized competition?" "Are they outmoded, in the light of growing public highway traffic and fast aeroplane speed?" "Are they over-regulated?" "What about the indifferent government control of railroad competitors?" And so on.

All of these are logical questions, and each must be satisfactorily understood and answered if the faith and support of the shipping and investing public is to be retained by the railroad industry.

Because there are seemingly so many aspects to the overall railroad transportation problem, I believe the real issue has become confused in the minds of many of us, and appears to be complex. In reality, it is simple and basic.

It boils down to the practical question—what is the price that must be paid for all transportation service, and can the railroads continue to operate as private, self-sustaining enterprises under the present method of assessing the costs of transportation service upon the users?

Low Return on Railroad Investment

Last year the railroads of our nation earned a return of 2.91% on net investment, after depreciation. In the years 1946 and 1947, when industrial corporation profits were the greatest on record, the railroads earned only 3.10%. In the postwar years, 1945 through 1948, the average return was about 3.5%. Since these were phenomenal traffic years, we must wonder what the earnings will be in a period of low traffic volume, or during a depression.

Obviously there is something wrong with a system that produces a low return on railroad investment during a time of general business prosperity—and one that makes no provision for protecting the industry during a time of poor business and low traffic volume. Either the railroads are not getting a high enough price for the transportation service they provide, or there are other defects in the system which discourage or prevent operating efficiencies and economies which should improve net revenue.

While railroad rates—the selling price assessed by the railroads for providing their services — have risen only some 57% since before the war, or only about half the advances in material and wage costs, at the same time I do not feel the answer lies in additional rate increases. I have said before, and will repeat here, that I feel present day rail rates are dangerously near the point where further increases will tend to drive business to competing transportation agencies. There should be, of course, a better balance in the rail rate structure — rates on some commodities no doubt are too high —some too low—but this is a problem of railroad management, and one which is having thoughtful consideration. Adjustments are continually being made where they should be made.

Are Transportation Charges Properly Assessed?

If we agree, therefore, that the answer does not lie in additional increases in the bulk of railroad rates, then we must examine two factors—are charges being assessed properly for transportation services that compete with the railroads, and are the railroads being permitted to exercise prudent judgment, in the light of their long experience of producing transportation service, toward effecting economies which, in turn, bear on the cost of providing their transportation service. If railroad management is not permitted to function with the comparative freedom enjoyed by other industrial managements, then what are the restrictions imposed and why are they permitted to exist?

Regarding the first of these two factors—the question of making proper assessments for transportation service—the fact has been well established that there is a great disparity in the methods pursued for assessing transportation charges. In the transportation industry, as it exists today, we have, on the one hand, a privately owned railroad transportation plant which must directly collect all economic costs of its service from customers. On the other hand, we have publicly owned, or partially owned, transportation plants — the waterways, the highways and the airways—which are supported in whole or in part by Government contributions which do not enter into the picture when arriving at charges that are exacted of the customers who use these publicly supported plants.

Many millions of dollars of Federal and State funds are being appropriated every year to provide facilities and otherwise assist these transportation agencies that compete with the railroads, which very definitely are a part of our nation's overall transportation cost. This overall cost, including the government provided money, is paid by the public, either directly as transportation rates or through government channels as taxes. And, gentlemen, this use of public funds for private profit is the crux of our transportation problem!

The most damaging competition confronting the railroads is that of the heavy-duty, long-haul, inter-city truck operator, who uses the publicly provided highways for a rental-cost, or a tax-cost, or whatever you want to call it, that is far below the actual cost of providing the serviceable use in that highway that is taken out of it by the truck.

Government Aids to Truck Operations

The fact that the big truck operators are profiting at Government expense cannot be explained away by citing statistics applying to the whole trucking industry, and claims that they are paying their way because of the taxes that are paid by the entire industry. There are some six and a half million trucks making up the so-called trucking industry, which are mostly farm and local delivery trucks. Less than 400,000 are the huge "highway box cars" with which we are concerned, and these trucks are not paying their way by a large margin. They are rapidly destroying our public highways, not to mention cluttering them and slowing up the normal public traffic for which the highways were built.

That this is true is being proven every day by exhaustive studies being made by neutral parties who have no axe to grind, but have only their interest in preserving public properties and protecting the public purse. These are surveys made and being made by Federal and State officials, highway experts, the United States Public Roads Administration, the American Automobile Association, and many other qualified organizations, with the one conclusion—that big commercial trucks are wrecking the nation's highways, and paying only a small part of the road construction and upkeep costs which they rightfully should pay.

These studies have brought out significant facts, and there are hundreds of incidents cited which prove the point. I will not bore you with an array of these incidents, for you are familiar with most of them. To mention one or two will, I think, suffice for my purpose.

For example, the highway department of the State of Nebraska announced that it costs that State $15,000 a mile for new roads suitable for passenger cars and light trucks, while $46,000 a mile must be expended for highways that will carry trucks up to 20 tons. The State of Pennsylvania found that it takes $14 for heavy trucks to every $1 for light vehicles for repairs on its high-speed turnpike. Governor James Duff, of Pennsylvania, recently said that it costs his State $4,900 a year to maintain a mile of truck highway, compared to only $350 a year to maintain a mile of highway for automobiles.

To me, the result of a recent Interstate Commerce Commission study on intercity motor carriers is most significant in appraising the competitive picture as it pertains to the railroads and the heavy trucks. This study disclosed that the amount paid by these heavy trucks for gasoline and fuel taxes, licenses and registration fees, amounted to 3.7% of total operating revenues. Compare this to railroad maintenance costs of roadway and track, plus taxes paid on roadway and track, which took almost 15% of total operating revenues.

The only conclusion that can be reached in the light of these facts is that no industry can progress, and maintain its status as a self-sustaining free enterprise, if the Government gives facilities and money to its competitors to enable them to take away business that they could not otherwise attract.

In this respect, the railroads are in the same position as the young housewife who finds it very difficult to preserve her beauty and attractiveness because she must take in washings to pay her high taxes which go to help support her more glamorous neighbors who live in government housing projects.

In the railroad industry, the continuation of this unsound economic governmental policy can lead to government ownership and eventual socialization of the entire transportation industry. The answer must come from the American people, and particularly from you men who are the users of transportation. Some realism must be shown in determining the charges that must be assessed upon the users of transportation facilities that compete with the railroads, and these charges must cover the economic cost of providing that service, the same as they do on the railroads.

Cumbersome Railroad Regulations

I have outlined so far only the handicaps that confront the railroads in the form of exorbitant favors given by the taxpayers to competing agencies of transportation, especially the long-haul truck operator. But all of the railroads' difficulties do not spring from this assistance that their competitors enjoy from the public treasury. Equally important is the freedom of these competitors from anything approaching the degree of government regulation that encumbers the railroads.

Under present-day conditions it is clearly in the public interest and in the interest of a healthy transportation system to insist on relaxing statutory regulations governing the railroads, and restoring competition as a recognized regulator of rates. Regulation should be confined to examining and, if necessary, correcting charges of discrimination. Other, more healthy, industries are able to set their prices and services boldly and quickly, and this freedom of action is the mainspring of free enterprise. The surest way to stifle economic progress and initiative is to subject individual determination and decisions to the control of tribunals that assume no risk or responsibility. Freeing the railroads from the excesses of regulation would mean better transportation services for everybody because it would give the railroads the means of meeting competition with superior and cheaper service.

The railroad plant is set up to handle mass transportation, and there is no other means of transport existing that can function, as a national system, handling all traffic offered to and from almost every city and hamlet in the country, at a real unit cost low enough to permit the economy of

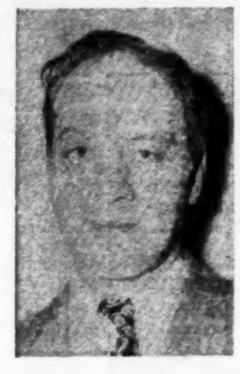
Continued on page 35

*An address by Mr. Fraser before the 27th Annual Meeting of the Southwest Shippers' Advisory Board, Oklahoma City, Okla., May 26, 1950.

Singer, Bean & Mackie Formed in New York

Jules Bean

Herbert Singer



Robert A. Mackie

Herbert Singer, formerly Secretary of Luckhurst & Co., Inc., and Jules Bean and Robert A. Mackie, both formerly traders in the same organization, have resigned and formed Singer, Bean & Mackie, Inc., with offices at 40 Exchange Place, New York City. In the new organization they will continue trading in the industrial stocks with which they have been identified for a number of years.

Earl D. Johnson Asst. Secy. of Army

Earl D. Johnson, newly appointed Assistant Secretary of the Army, has been granted a leave of absence from Loomis-Sayles & Co., Inc., it is announced by the investment counsel firm as Mr. Johnson formally took his oath of office. Mr. Johnson has been serving as Vice-President and Manager of the company's New York office. It is expected that he will return to the Loomis-Sayles organization upon completion of his duties with the government.

Floyd L. McElroy, Vice-President and present Pacific Coast director, and a member of the firm's executive committee, will take charge of the New York office.

The investment firm's main office is in Boston, with other offices in Philadelphia, Washington, Detroit, Milwaukee, San Francisco and Los Angeles, as well as in New York.

Roberts Announces New Main Office

Roberts & Co., members of the New York Stock Exchange, announce the opening of their new main office at 488 Madison Avenue, New York City.

Joins Slayton Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — James H. Schurk is with Slayton & Co., Inc., 408 Olive Street.

Joins H. O. Peet Co.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb. — Maurice J. Travers has joined the staff of H. O. Peet & Co., Farnam Bldg.

Texas Group of I. B. A. Enjoy Convention

Dancing in the Patio at La Villita

Delegates getting in the act at La Villita

Party in the Beer Garden of the Lone Star Brewing Co.; Extreme left—Francis Adams Truslow, *President of the New York Curb Exchange*

Left to right: Dick Delafield, *The First Boston Corp.*, Chicago; Joe Lodovic and Charles West, *Russ & Co.*, San Antonio; John Rauscher, *Rauscher, Pierce & Co.*, Dallas; John Matcek, *Rauscher, Pierce & Co.*, San Antonio; Weldon Carter, *First of Texas Corp.*, San Antonio

Lining up at the Chuck Wagon for Western Barbecue

Delegates watching Floor Show at La Villita

Mutual Funds

By ROBERT R. RICH

No Peace of Mind

No peace of mind ensues to the corporation which must publish an annual report. Those companies which tabulate their vital statistics for the past year in agate-size type, with a brief and businesslike message from the president, are attacked for deliberately "burying" the essential information, or making it so incomprehensible that the small investor is at a loss to extract the important data about an enterprise's record.

And yet, no praise is given to the company which depicts its operations with pictures, graphs and colors in the interest of highlighting the necessary facts and "laying the bones bare" of the complicated operations and financing which have occurred.

To these misguided companies, who seek haven from the criticism of being obscure, there is a Scylla to match the Charybdis.

Abusing the Abused

One columnist has recently written, concerning the "sugar-coating" of annual reports: "The over-adornment of reports, their inclusion of irrelevancies, their attempts at creating folksiness, are affirmatively diversionary and misleading . . . the glamorous literature is destructive in easing any pangs of conscience which shareholders may harbor over their lethargy toward spending an hour a year in reading a report . . ." The columnist then concluded, "The resulting jazzing-up of reports is affirmatively harmful and constitutes a disservice to the shareholder, in diverting his attention from the genuine elements contributing to investment judgments. From the communal viewpoint this accentuates unbalancing of markets, and hinders the flow of private equity capital."

Government agencies have also added to the sleeplessness of the annual report writer. Edward J. Samp, Director, Department of Securities of the State of Wisconsin, and President of the National Association of Security Administrators, wrote to investment companies whose shares are registered in Wisconsin, ". . . the printing of the report in colors or on a more elaborate scale than necessary to deliver the message of a factual report is an expense which should not be paid by the shareholder, but by the distributor as sales material." ["Chronicle," Feb. 16, 1950, page 14.]

That this controversy has more wind than canvas, that it is more verbal than reasoned, is an idea which has apparently occurred to only a few people.

The Further Responsibility

Clearly, there is a minimum legal and communal responsibility for a company, in the annual report, to supply its shareholders with the "raw data" figures reflecting its operation. But, there is a further responsibility which must be recognized. A company, in the preparation of its annual report, by highlighting universally accepted "measures of worth," is doing an important service to stockholders. A few statistical operations performed by the corporation's staff represents a labor-saving device in which thousands of stockholders are saved the drudgery of laboriously calculating key data. If certain information is generally sought by an individual, it seems only sensible to highlight it, and ridiculous to "bury" it in a "pure" form.

The financial "purists," whose eyes are only pleased with a grey mass of statistics and columns of figures, might remember that the Annual Report is in competition with weekly magazines, penny thrillers, detective novels and newspapers.

Alice's Economics

It is indeed an accomplishment if an investor can be induced to examine his annual report at all. To pretend that he will deliberately ferret out information is an idealistic concept which belongs in the land of Alice-in-Wonderland economics, where every investor is perfectly informed on the operations of all companies which offer him the possibility of investment.

The lethargy and lack of interest of the common shareholder has been the basis of much criticism of the corporate system. To insist that the "facts and figures" are sufficient to entice the investor to demonstrate a greater interest in the corporation of which he is part owner, is being as logical as the man who remarks, "I'll whip any dog until he likes me."

Apropos of this discussion is the tenth anniversary annual report of the National Securities and Research Corporation. Henry Simonson, Jr., has remarked about this report that "we have tried to include material which we believe will be helpful in educating the shareholder as to his investment." There is a "Shareholder's Primer" on the operations of National Securities Series, a "Glossary of Terms" and a frank approach to the investment problem.

In a section entitled "Do You Know That . . .?" the shareholder learns that "investment managers are not perfect—they do make mistakes in judgment, their's is not an exact science." The shareholder also learns—and it is surprising how many of them don't know it—"when shares are sold or liquidated you may receive more or less than they cost. The time of purchase and the time of sale are both important considerations."

While providing all the raw data necessary to guage accurately the Fund's operation, this annual report has also uniquely presented to its shareholder a basic "thumbnail" sketch of its activities. The facts aren't fewer, only easier to read and comprehend.

Pell, de Vegh to Be Non-diversified

Pell, de Vegh Mutual Fund has elected to be a non-diversified fund in order to meet the requirements of investors who are primarily interested in long-term capital appreciation, especially those who are in the higher personal income tax brackets.

The Investment Company Act classifies a non-diversified investment company as one in which management does not accept certain voluntary limitations on the freedom of action with respect to concentration of investment.

Although Pell, de Vegh does not intend to disregard income, it will subordinate stability of income, which is usually the requirement of small investors, to safety of principal and long-term growth of capital.

For this reason, a relatively substantial part of the Fund may be invested in what might be described as growth companies.

The Fund has reserved its freedom of action with regard to investment in commodities, and in commodity contracts, borrowing money, and the underwriting of securities.

The Fund has adopted the following restrictions as a matter of fundamental policy: It will not make investments in real estate and will not make loans.

There is no sales load added to the offering price.

Officers of the Fund are Imrie de Vegh, President and Treasurer; John H. G. Pell, Vice-President; R. Keith Kane, Director; R. McLean Stewart, Director; Alfred M. Wilson, Director; Malcolm I. Ruddock, Secretary, and Lloyd P. Griscom, Assistant Secretary and Assistant Treasurer.

Assets of the Fund, April 5, 1950, were $148,018.75, of which $28,018,75 is invested in Anchor Hocking Glass, National Aviation, Solar Aircraft, and United Aircraft. The remainder is in cash.

Manhattan Bond Rises

The semi-annual report of Manhattan Bond Fund shows assets of $31,191,539 on April 30, comparing with $29,838,669 on Oct. 31, 1949, and $28,780,516 on April 30, 1949. Net asset value per share advanced from $6.99 to $7.37 during the six months reviewed by the report. The 46th and 47th consecutive quarterly dividends paid by the Fund in this period totaled 17.5 cents per share

compared with 17.0 cents per share paid in the same period of 1949.

Bullock Grows

Total net assets of Bullock Fund, Ltd., on April 30 amounted to $7,934,615, equal to $20.29 per share on 391,064 outstanding shares. These compared with $7,314,567, or $18.82 a share on 388,620 shares on Dec. 31, 1949, and $5,803,574, or $15.74 a share, on 368,812 shares on April 30, 1949.

The Fund stresses "growth" possibilities and appreciation.

Ten Keystone Funds At $207,778,400

Combined net assets of the ten Keystone Funds on April 30, 1950, reached a new high of $207,778,400, it is disclosed by the semi-annual reports of Keystone Funds B2 and S3, made public May 31. This is an increase of $36,983,200 over the total of $170,795,200 on April 30 of last year, and a gain of $21,483,300 from the figure of $186,295,100 six months earlier. The number of shareholders on April 30, 1950, was 52,883 compared with 51,336 on the corresponding date last year.

Net assets of the Medium-Grade Bond Fund B2 increased to $16,744,257 at the close of April this year, amounting to $23.83 per share on 702,567 outstanding shares. This compares with net assets of $15,781,884 a year earlier, equal to $22.36 per share on 705,708 shares then outstanding. At the close of the last fiscal year, on Oct. 31, 1949, net assets were $15,889,863, amounting to $22.58 per share on 703,634 shares.

National Securities At New High

Henry J. Simonson, Jr., President of National Securities and Research Corporation, has announced results for the fiscal year ended April 30, 1950. Assets of National Securities Series reached a new high of $62,657,381 against $43,877,947 a year ago, with 13,200,620 shares outstanding owned by 42,846 shareholders against 10,123,535 shares and 35,839 shareholders a year ago.

Frank Cryan Forms Jefferson Fund

Announcement is made of the formation by Frank M. Cryan, senior partner of Brady & Co., of a new diversified investment company of the managed open-end type, known as Jefferson Custodian Fund, Inc. The initial offering will be 100,000 shares.

The Fund's policy will be to maintain a portfolio made up of bonds, preferred stocks and common stocks without limitation as to the amount which may be invested in any such class of securities, but it may not own more than 10% of the securities of any one issuer. The Fund may also place a limited amount of its net assets in newer companies or companies which appear to be in a position to regain former leading positions.

Whitehead Appointed Exclusive Subdistributor for Wisc. Investment Shs.

Appointment of Louis H. Whitehead Co. of 44 Wall Street, New York City, as exclusive subdistributor of Wisconsin Investment Co. mutual investment fund shares in 12 eastern states and the District of Columbia, was announced May 29 by Loewi & Co., Milwaukee, general distributors.

The Wisconsin Investment Company is one of the oldest investment funds in the United States; its history dates back to 1924.

Recently it was announced that The First California Company of San Francisco and Los Angeles was appointed subdistributor in 12 western and southwestern states.

Requisites for a Dynamic Economy

By R. B. ANDERSON*

Director, Federal Reserve Bank, Dallas

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Laying down as basis for ideal economic system, maintenance of high employment with productive machines operating at full capacity, Texas banker points out this ideal demands constantly increasing capital, along with adequate money supply equitably distributed. Opposes planned economy on national level, but warns all segments of American business must work to keep economic factors in balance, and thus avoid booms and busts. Decries guaranteeing security to all as perversion of free economy, and advocates full economic and political cooperation will all democracies. Attacks government bond price support program and labor monopolies.

We who concern ourselves with the economic welfare of our nation must, in order to discuss any problem of desirable stability, determine the sort of economic system which we believe best suited to our concept of government and our perception of the economic levels most desirable for our way of life. It is inconceivable that we should think in terms of a static economy or inert society. Rather do we concern ourselves with an economic atmosphere that is cognizant of population increases, technological development, production at high levels, and the avoidance of those excessive fluctuations which impose periods of prosperity and disaster.

The ideal of any social economic system is necessarily the maintenance of high employment with a productive machine that operates to capacity and with a buying power sufficient to take the total output off the market. If the material elements of growth and progress could be ignored, we might well establish a circulatory system in which the total outlay for wages, interest, profits, and other costs are equal to the total proceeds of the sale of the national production and thus provide the buying power to constantly drain off the total output of a continuously operating machinery. Such a theory ignores the generative forces of progress, population increases, and higher standards of living, as well as the development of capital for further expansion in the exploitation of new resources and mechanical developments as are consistent with every form of living society.

Era Demands Increasing Capital

We live rather in an era which demands a constantly increasing capital development in order to keep pace with the dynamics of progress and make use of the inventions, expansions and aided social welfare which we have come to know as examples of a democratic system.

In determining the factors which are to be given consideration in the establishment of a progressive, economic system devoid of devastating peaks and valleys, we invite the thinking of the whole range of economists and a multitude of criteria which are valued differently in the thinking of a great many capable people. We can concern ourselves here with only a few of the more significant economic factors of our time.

I think we will agree that we must develop an ever-expanding productive machine capable of discharging a steady increase in the production of goods while engendering a sufficient amount of buying power so distributed as to make possible the absorption of the goods currently produced in all of the available markets.

Importance of Adequate Money Supply

This necessarily implies an adequate monetary supply and an effective utility of that supply. We must achieve such a distribution as to place in the hands of consumers the means of purchasing the output of our productive machinery, and must place in the hands of investors sufficient amounts to maintain our current productive plant and to provide for its expansion in accordance with population growths in a rising standard of living.

Money, as I conceive it, is that medium of exchange which is generally and readily accepted by persons who sell goods or services, or by those who would accept it in payment of their debts.

As we currently lower our money supply, we are concerned with the amounts of notes and coin held by banks and by the public, the availability of credit as measured by the ability and willingness of the banks to create additional money, and the rates of interest which measure the hire of the dollar.

We must, at the same time, concern ourselves not only with the volume, but with the availability of the supply, for there is no more important element in the development of stability than that of timing.

While it is true that the cost of money is one of the principal factors in the development of any banking institution, and is readily discernible in the portfolio changes of banks and investment houses, I doubt seriously that the money's cost is quite so important as the timing of its use or its availability.

All of us know that a preponderance of the heavy industries of the nation would not be influenced in their current operation by slight changes in the interest rate, although their decisions as to long-term capital investment or expansion would be influenced materially by the money's cost. The economic significance of their action might have a perceptible impact upon the whole national economy as they time their borrowings for corporate financing of current operations or for capital expansion.

There are those who would like to think that the proper management of the monetary supply, its distribution, and the cycles of its use would insure the maintenance of the sort of economic stability which we would insure.

We would like to think that the total income produced from our gross national production is returned to the flow of wages and of capital expansion so that there could not well be a lessening of national income, a cessation of employment or a curtailment of expansion, and as a consequence, no economic fluctuations of serious magnitude.

No Planned Economy at National Level

We do not, however, believe in a planned economy at a national level, and we cannot, therefore, by such a theoretical analysis, account for the multitude of decisions that will be made by a multitude of individual thinkers who may be totally unaware of the theoretical planning of those who would insist upon placing special emphasis upon an efficient monetary management. We can well influence the public's willingness to spend, its ability to learn, and the psychological factors that influence its desire to make investments, but we can not, in a free economy direct the distribution of income and its utilization in all areas necessary for the development of a steady, even growth and progress of our economic system.

It requires only the most superficial analysis to bring any of us to the realization that the economic stability we would achieve must be a growing, vital, dynamic thing susceptible only to the achievement of larger incomes, the maintenance of high employment, and the constant expansion on a sound basis of the means of production consistent with the growth of our population, our supply of the world markets and the increase in the democratic standards of living.

We have but to recall that the largest of the prewar budgets was in the neighborhood of $8 billion, while the current budget is in excess of $40 billion with the requirements of the national debt services the equal of approximately $5,600,000,000. We have but to become aware of the fact that the public debt has increased from $51 billion to $257 billion. The money supply increased from $66 billion in 1940 to $173 billion in the first month of 1950, the wholesale prices of national costs from 79% of the 1926 average in January of 1940 to 152% of the 1926 average in 1950. Keeping pace, the cost of living index based upon the average of 1935 to 1939 rose from 99.5 in 1940 to 166.9 in January of this year.

We went into the war as a nation of surpluses and come out of the war with a public debt so high that it was beyond the experience of the ablest financiers of our time, and with a backlog of domestic orders that required the overtime operation of our domestic machinery for several years. All of this ignores the needs of a whole world torn and looted by the ravages of war and needing desperately the surplus goods which the American productive machine is capable of making.

It would be the height of folly for any of us to say that we would like to turn back the economic clocks or to reduce wages, rents, profits, or other forms of income to the prewar level, or to reduce the productive output of our economic system.

Keeping Economic Factors in Balance

The thinking we should like to achieve is the operation of all of the economic factors in such balance as to prevent the recurrence of a disastrous time such as was experienced in the early 30's. We are not willing to achieve this balance by direct order or government planning. And yet we are forced to admit that no single group in the population nor any single set of regulatory or advisory controls can alone achieve the economic balance that assured orderly growth and development.

We must, at the same time, be constantly alert and cognizant to the fact that no segment of the population is willing to subject itself to the type of economic disaster that it suffered in the early 30's and that a great many Americans would, rather than endure another depression, subject themselves to the sort of a planned economic system which is contrary to the political concept of our democracy.

It becomes essential, therefore, that all segments of the American business life become fully aware of its obligations to fit into the pattern of economic planning and activities so as to make unnecessary a system of enforced planning that would be obnoxious to us.

This sort of stability, achieved within the framework of free enterprise and characterized by a development of stable balance between the intermeshing economic factors of our civilization, is going to require a high order of intelligent statesmanship on the part of bankers, the industrialists, the big business operators, the organizers of new corporations, and the directors of labor activities.

Perversion of Idea of Free Economy

I fear that we have perverted the idea of free economy to mean some sort of guarantee that everybody who is now in business must stay in that business, and that every worker must remain employed with increasing enrollments and no increase in his working hours, and that farmers be allowed to maintain the constant scope of their present practices free from any interruption, and with a tax guarantee on income levels.

This is the sort of thinking that has led us into a program of agricultural support prices, that has made us tolerant of labor monopolies, and that has made us acquiescent in the activities of government lending agencies which prop up the businesses unable to maintain themselves by their own efforts. A continuation of this sort of thinking with planned agriculture, monopolistic labor, and the government bolstering of poor management, might result in a complete rigidity of income and production that would defeat any hope of expansion and any element of economic stability consistent with an era of growth.

There can be no doubt as to America's productive ability. The technological advances in industrial fields, both quantitatively and qualitatively, are much clearer than we have been led generally to believe or permitted to enjoy. The agricultural machine even though it is operated on an antiquated and non-utilitarian system, is already overproducing in terms of the national domestic supply. The thing we have not learned is how we can effectively distribute our output so as to increase the standards of living, drain off our surplus and supply some of the peoples of the world who are literally starving to death.

No Economic or Political Isolation

We had as well bring ourselves to the inevitable realization that economic isolation, as well as political isolation, is gone forever. Already economically, as well as politically, what is left of the free nations of the earth are one world.

We would like to think that some of our employment and production problems might be settled simply by the export of our surpluses to nations who would use our goods in the settlement of their obligations that were created during or subsequent to the war. The actual fact is that there is a difference of some thing like 4 billions of dollars between the imports of the European countries responsive to America, and the exports of those countries to the dollar area. This shortage of dollars is now being largely met by the European Recovery Plan, which we have been told to assume would end in 1952, when by some assumed magic the dollar shortage would end and the gap would be closed.

We would like to believe that we would soon rid ourselves of European assistance by the outlay of tax money and would substantially benefit our domestic productive machinery by the enlargement of our foreign markets.

We constantly tell ourselves that the solution of the problem

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*An address by Mr. Anderson at the Texas State Bankers' Convention, Fort Worth, Texas, May 15, 1950.

Canadian Securities

By WILLIAM J. McKAY

When it was predicted during the early stages of the Alberta oil discoveries that they would eventually surpass in importance the agricultural production of the Province, it was not anticipated that this would take place in only three years since the Leduc discovery of February, 1947. At that time Canada's proven oil reserves were only 150 million barrels, whereas the current proven reserves of the Province of Alberta alone are estimated at approximately 1½ billion barrels. According to competent opinions moreover, it is expected that over 5 billion barrels will be found in the Alberta area in the near future. The spectacular developments are all the more striking, since just prior to the Leduc discovery, the output of the Turner Valley field, which was then the Dominion's sole major source of oil, had commenced to register a steady decline.

Alberta oil figures prominently not only in the provincial economy but is now also recognized as one of Canada's principal national assets. Since these new discoveries, the Dominion's imports of petroleum products and coal have declined substantially. In addition, Canada's exchange position has been strengthened considerably as a result of the heavy influx of U. S. investment capital into this new major oil area. It is estimated that the current Alberta oil production is now about equal in value to the output of all the gold mines in the entire country. Already the fuel needs of the Prairie Provinces are supplied by Alberta as well as those of southern and central Ontario. With the development of further storage, refinery and pipeline facilities, it will not be long before Alberta oil and natural gas will be capable of supplying all domestic needs and ultimately surpluses will be available for export to the northern and northwestern States south of the border.

Before the advent of oil, U. S. interest in this hitherto almost essentially agricultural province had already been sparked as a result of wartime developments. Edmonton, the capital of this potentially greatest Canadian province, was the headquarters of the U. S. engineer force that constructed the Alaska Highway which linked the industrial centers of this country and Canada with the hitherto isolated territory of Alaska. A system of airfields was built in Edmonton and at strategic points along the Highway over which war materials were dispatched to Russia. Edmonton, which previously had been known as the "Gateway to the North" had now become the "Crossroads of the World." A glance at the globe will well confirm this apparently extravagant claim. The shortest route from Los Angeles to Moscow is through Edmonton over the North Pole. Likewise the most direct path by air from New York to Australia and China is via Edmonton and over the northern top of the world.

As the gateway to the North, the fabulous wealth of Canada's mineral rich Northern Empire passes through the strategically situated capital of Alberta. But within the province itself, in addition to the present oil and natural gas discoveries, Alberta possesses vast undeveloped reserves of other natural resources. According to an estimate of the U. S. Bureau of Mines, the 15,000 square mile Athabasca tar sand area contains several times the known oil reserves of the entire world. Coal reserves are estimated at 50 billion tons, and extensive deposits of salt, limestone, and other minerals form the basis for the establishment of future chemical and plastic industries. Besides the already exploited arable land, Alberta also possesses the undeveloped Peace River District, which is reputed to contain the greatest depth of fertile black earth in the world. The forestry resources of the province are also by no means unimportant as they cover an area of approximately 150 thousand square miles.

It is not surprising therefore, that in the last few years the credit and financial standing of the Province of Alberta has made a remarkable recovery. From the time of the default brought about by the depression period of the early thirties when the provincial economy was essentially agricultural, such extraordinary progress has been made that Alberta now bids fair to become the financially strongest province in Canada. The annual service of the drastically reduced funded and floating debt now costs less than $6,000,000, or about 8% of total provincial revenues for the current fiscal year. As the Government of Alberta owns approximately 80% of the mineral rights of all the land in the province, the resultant revenues are likely to assume formidable proportions in the near future. Already nearly $40,000,000 have been paid to the province since the beginning of 1948 for sales of proven and unproven oil acreage. With fuller development of the enormous oil and mineral wealth of the "Texas of the North" the time should not be long deferred before it will be possible not only to retire the entire provincial debt, but also to constitute a fund for capital expenditures for further expansion.

During the week a holiday spirit prevailed in both the external and internal sections of the bond market and activity and price-changes were consequently nominal. Free funds eased slightly to 9⅞% and the corporate-arbitrage rate also declined fractionally to 14¾%/14%. Stocks on the other hand maintained their recent buoyancy. The Western oils recorded a 13-year peak level, led by National Petroleum and Federated Petroleums which moved briskly ahead in active trading. Royalite, Home Oil, Anglo-Canadian, and Calgary and Edmonton also registered notable gains. Interest in the gold group was still centered on new prospects among which Newlund, Bonville, and Villbona were again heavily traded. The industrials and base-metals made little headway but Falconbridge established a new high on favorable reports of first quarter profits.

Boston Inv. Club To Hear Shattuck

BOSTON, Mass.—The Boston Investment Club is pleased to announce that on June 5th at their regular monthly meeting they will have the privilege of hearing Mayo A. Shattuck, well-known attorney, talk on "Changing Conception of Trusteeship."

Mayo A. Shattuck

Mr. Shattuck is a member of the law firm of Haussermann, Davison & Shattuck and is also a director of Boston Fund, Boston Fund of Boston, Fiduciary Advisor of Massachusetts Investors Trust, President of Massachusetts Civic League and former President of Massachusetts Bar Association.

Dinner will be served at 6 o'clock and guests are invited for the usual fee of $2.50. This will be the last meeting until fall.

Boettcher & Co. Wins Advertising Award

DENVER, Col.—One of the few instances in which an advertisement of a financial house has received citation for merit occurred recently when an ad of Boettcher and Co. was named "Ad of the Year" in the classification of smaller than full-page trade journal advertising by America's oldest professional advertising organization, The Denver Advertising Club.

The advertisement, titled "For Quotes and Information," was prepared by Boettcher and Co.'s advertising agency, the Galen E. Broyles Co., Inc. of Denver and appeared in the 1949, mid-year 1949 and 1950 editions of "Security Dealers of North America," Chicago "Journal of Commerce" and other publications.

A certificate of award was presented to E. Warren Willard, Managing Partner of Boettcher and Company.

So far as is known, the award to a financial house represents one of the rare occasions financial advertising, competing against advertising of scores of other types of businesses, has been singled out for recognition.

Baird & Co. to Be Formed in New York

Baird & Co., a New York Stock Exchange member firm, will be formed June 8 with offices at 65 Broadway, New York City. Partners will be Harold S. Baird, who will acquire the Exchange membership of D. Dudley Brill; David G. Baird; and William D. Brome; general partners. Robert B. Baird and Marion B. Neville will be limited partners in the firm. Harold S. Baird was formerly a partner in McLaughlin, Baird & Reuss.

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Can Private Enterprise Achieve Objectives of Welfare State?

more than the cost of the same protection through the government.

The cost is there, any way you look at it.

Last year Sir Stafford Cripps said: "When I hear people speaking of reduced taxation and at the same time see the cost of social service rising rapidly in response very often to the demands of the same people, I sometimes wonder whether they appreciate the old adage, 'We cannot have our cake and eat it'."

People Can Pay the Bill

Fortunately, the vast majority of people will be in a position to pay the bill whether it comes through taxes or direct. The greatly increased percentages of families in the higher income brackets and the sharp reduction of the number of families in the lower income brackets[1] sustain this statement.

Increased productivity, increased wages, increased buying power, increased savings—all these indicate that a Welfare State is a financial possibility, either politically with the threat of tyranny or as an economically sound private enterprise.

There is always the inference that the rich will pay the bulk of the cost of a government Welfare State, and the poor will not be charged. This has not been the case with Social Security, nor is National Health Insurance, for example, planned that way. Quite the reverse is true. A booklet just issued points out: "A worker would pay 1½% of earnings under $400 per month. No worker would pay more than $6. Self-employed persons could be covered, paying only slightly more. . . . Employers would match premiums paid by people on their payroll."

This means that everyone earning $400 per month or less, would pay 1½% of total income. But anyone earning more than that would pay a smaller proportion of total salary. So the poor will get no advantage in the government-controlled Welfare State that could not be duplicated in private plans based upon employee-employer cooperation.

Take a look now at the problem of old-age security.

If kept reasonably to a subsistence level benefit, I believe there would be little opposition to a continuance or even wider spreading of the social security program. It has the inestimably great advantage that it properly can be put on a pay-as-you-go basis, thus avoiding the unworkable problem of investments for the funding of universal pensions.

The machinery has been set up to handle the social security program, and since the government seldom retrenches, it is highly unlikely that even the elimination of social security would result in any perceptible decrease in government costs.

Added to whatever the common man gets from his government at the time of retirement, it seems almost certain that during the course of the next few years, he will arrange to get quite a great deal more in addition from his employer. This is not a promise, but a statistic.

[1] In 1935, 53% of all families were making under $1,000 a year. In 1948 the number had been reduced to 12%. In 1935, 31 were making between $1,000 and $2,000—a figure which has been reduced to 18% 9.7% of the families were making between $2,000 and $3,000, and in 1948, more than twice as many—23%—had incomes of that size. In 1935, only 2.3% were making over $5,000, but by 1948 almost seven times that many were making more than $5,000.

In 1920, personal savings amounted to $9 billion. By 1949 they were up to nearly $14½ billion.

Growth of Private Pension Plans

Like comprehensive group policies, the growth of pension plans during the past 20 years has been phenomenal. Long before organized labor accepted the idea of pensions for employees, individual business organizations were hard at work developing and expanding such plans. The fact of the matter is that in the earlier years, the unions more often than not opposed pension plans because they felt they were devices used by employers to fight organized labor. This may well have retarded the growth of such plans. With unions now on the other side of the fence, plans are now multiplying at an unprecedented pace—both at labor's instigation and because the road is now clear for managements to move ahead.

There were probably 13,000 retirement plans in operation in January of this year covering about 7 million workers. The Treasury Department reported last June that plans were being approved at the rate of nearly 100 a month.

When we speak of old-age security, we must also take into consideration security for those who survive the untimely death of the breadwinner in a family. What happened on this front is best reflected by the fact that the University of Michigan Survey Research Center reports that 79% of all families carry life insurance of some kind, leaving only 21% of the families without coverage—fewer than the number of families making $2,000 or less per year. Insurance has penetrated down into the lowest income brackets—and so, of course, could any group welfare system, especially when financed cooperatively by employers as most plans are now.

The problem of old age and survivor security is rapidly moving toward a satisfactory solution through the cooperation of existing government facilities and private agencies that can deliver protection at a price that compares most favorably with anything the government can reasonably do. Established social security, plus employers' group insurance, plus pensions, plus life insurance for the family—all these point a way to a better and more secure old age at a reasonable cost—and without undue government control.

What Progress is being made toward the elimination of poverty, the fourth consideration of the Welfare State? — The figures show a reduction in the lowest income brackets from 53% to 12% of the total family population. The real poverty is included in that 12% figure.

With increasing productivity, the actual number of jobs also increases and this, of course, is the safest way to deal with poverty. Moreover, with the increased purchasing power of an hour's work, it becomes progressively less necessary for more than one member of the family to work. In 1914, the wage earner worked over 51 hours a week, and some other member of his family had to earn additional income to supply the average amount of goods and services. In 1948 the breadwinner worked only 38 hours to supply his family with the higher living standard that was considered average in 1948. There will always be special cases requiring special attention, but figures show that the margin of poverty-stricken and subsistence level citizens is, fortunately, growing smaller and will continue to decrease as

long as the present trend continues. It is important that this be considered.

Inflation and Fixed Incomes

Another factor which must be considered seriously is the effect of inflation upon people who live within fixed incomes. The employed citizen is able to do more today with his earnings than ever before; but there are many whose earning have stopped, who are living on capital—widows, orphans, pensioners, and the recipients of social security payments to whom the monthly payments back in the 30's, seemed adequate for basic needs. But there is a ceiling on the number of dollars they receive from investments, insurance, or retirement allowances, and every year those dollars buy fewer goods. It is probable that a portion of the 12% of our families who live on a thousand dollars or less a year are the people who depend upon fixed income which, in the face of inflation, are no longer adequate. This is a matter for which the Welfare State has no particular solution, and one that would grow increasingly worse as a result of the establishment of a Welfare State. In the case of people living on fixed incomes, the government Welfare State may contribute to poverty rather than remedy it.

Now let's look at the last consideration of the Welfare State: Better Homes for less money.

On this front, too, technology and industrial progress have made great strides. Generally, the home now available to the Common Man is infintely more livable in every respect than any his predecessors were able to buy or rent, and the number of people without suitable homes is growing smaller.

The average 1948 wage earner had to work only half as many hours to pay rent for the family dwelling as did his 1914 counterpart, although a part of this is due to rent control. In 1918, only a third of the families with average incomes had bathroom facilities within their living quarters; but by 1936, almost 90% with average incomes had bathroom facilities. No later figures are available, but it is safe to assume that between 1936 and 1950 the figure has more closely approached 100%.

The actual cost of homes, due to an unusually large increase in the costs of labor and materials, has risen. The modern home costs about 21% more hours of work than a similar house might have cost in 1914.

On the other hand, the cost of furnishing the house, and of operating it, have reduced. According to the Industrial Conference Board, it took 215 hours of work in 1914 to buy a dining room suite which could be bought in 1948 for 121.98 hours. By and large, it cost about half as much in hours of work to furnish a home in 1948 as it would have in 1914.

Present Voluntary System Should Be Extended

Have these things been considered by the planner of the government Welfare State? Doesn't it seem reasonable that effort and ingenuity should be expended upon improving and extending our present patterns, rather than in conjuring up new patterns?

The welfare of its citizens is the first order of business of any government. But can't the government under a capitalistic system achieve its objective without becoming *financial benefactors*, seemingly, as well as providing sound rules of the game to protect the Common Man? In the end, the Common Man would like it better.

Sooner or later, he will face up to the costs involved — reliably estimated at 29 billions by 1960, not including Public Assistance or veterans payments. To this must be added interference with his private life, and the costs in toll on our economic system.

Is Nationalization Ended in Britain?

By PAUL EINZIG

Referring to decision of recent Labor Party conference not to press for additional nationalization in Britain, Dr. Einzig points out this policy may be done to dissatisfaction of workers in government-owned industries as well as desire to win over middle-class segment of population. Says, however, idea of nationalization has not been abandoned altogether.

LONDON, England—There is now reason for believing, as result of recent conference of the Labor Party's leaders, that on the occasion of the next general election the British Labor Party's program will not include any new nationalization schemes. The nationalization of sugar, cement, chemicals and industrial assurance, which figures prominently in the election manifesto of February, 1950, will be dropped. The Iron and Steel Industry Act is already on the statute books, and it will remain the declared policy of the Socialist Government to proceed with the nationalization of that industry, if returned with a working majority. Possibly the nationalization of water supplies—which is the only remaining public service not nationalized—may be proceeded with. Beyond that the Socialists will abstain from putting forward any specific nationalization proposals.

Dr. Paul Einzig

This change of policy is due in part to the realization that the British electorate is not keen on nationalization for its own sake. A case could be made out in favor of the nationalization of the public services. The Bank of England was already under government control for all practical purposes before its nationalization in 1945. And the coal industry was in such a bad way before its nationalization that many people, without being Socialists, think that some such change was necessary. But when it comes to efficient industries such as steel or sugar or cement, many people who are not Conservatives, doubt whether there can be any valid economic reasons (as distinct from political reasons) for their nationalization. This at any rate is the interpretation of the result of the general election which deprived the Socialist Government of its working majority. Evidently the country had as much nationalization—for the time being at any rate—as it wished to have, and does not want any more.

But the verdict of the electorate, inconclusive as it is, is not the only reason for the change of Socialist policy. Many Socialists have been for some time gravely concerned by the effect of nationalization on relations between the government and the Trades Unions on the one hand and the workers on the other. The latter find that from their point of view nationalization merely meant a change of employer, and that the new employer is in some ways even less satisfactory than the private owners were in the "bad" old days. Owing to excessive centralization there is too much bureaucracy and too little human contact. Moreover, in the olden days workers with grievances could rely on the wholehearted support of the Labor Party and of their Trades Unions. Now the Labor Party is identical with their new employer, and the Trades Unions very often identify themselves with the government. Hence the frequency of unofficial strikes. The result is that the Socialist Government is becoming almost as unpopular among the workers of nationalized industries as the old proprietors used to be. At present the nationalized industries only represent some 20% of the total industries, but this problem is already causing much headache to Socialist political leaders. This is one of the reasons why they are not keen on increasing the proportion of nationalized industries.

There is also the problem of the organization and efficient running of nationalized industries. It may take years before the temporary difficulties caused by the change of the system can be overcome. Meanwhile the government has quite enough on hand, and does not wish to add to its worries by further nationalizations.

This does not mean, however, that the idea of nationalization has been abandoned altogether. To do so would inevitably have meant a split in the Socialist Party, as the Left Wing would not stand for it. A most ingenious formula has therefore been advised to avoid a split. It is that, instead of seeking mandate for nationalizing specific industries, the Socialist Party will declare its intention to nationalize any industry which is inefficient or which refuses to pursue policies in accordance with the government's wishes. Under this formula a Socialist Government can nationalize as much or as little as it considers advisable. In a government with a small majority as the voice of the moderates would prevail, but a government with a large majority would be under the influence of the extremists. Anyhow, the formula has made it possible to defer the fight within the Party until after the election. It satisfies at present both schools of Socialists, each of which has mental reservations over the way in which it intends to apply the formula.

Another advantage of the new formula from a Socialist point of view is that, should the government be returned with a working majority, it would be able to hold the threat of nationalization over the heads of industries in order to ensure their willing submission to control. For a large and increasing number of Socialists has come to the conclusion that nationalization is not really necessary provided that privately-owned industries do as they are told. Although the process of relinquishing "physical" controls (such as the need to obtain license for buying materials of every kind) is likely to continue, under their new policy the Socialists want to replace it by some form of control over the managements of industrial firms. The details of the proposed system have not been worked out, but the idea is that the government, without owning the industries, should be able to have a say in what they are to produce, what wages they should pay, where and at what price they should sell their goods, and how to allocate their profits. A Socialist Government with a working majority, with a mandate from the electorate to nationalize industries which it considers to be inefficient or to be lacking public spirit, would be well in a position to impose such control over industrial managements. Apart altogether from any legislation which would make it compulsory to submit to such control, the fact that it is considered a smaller evil than nationalization would induce industrialists to accept it and to work with the government to ensure that their industries should not be penalized with nationalization for alleged inefficiency or for unwillingness to cooperate.

It remains to be seen whether this change of policy from nationalization to control is merely an opportunist move, aimed at securing for the government the support of some of the middle-class electorate, or whether it indicates a definite departure from Marxist Socialism. However it may be, it is highly significant that it is no longer the declared aim of the Socialist Party that all means of production should be nationalized eventually.

Public Utility Securities

By OWEN ELY

Interstate Power

Interstate Power Company has recently sold \$3 million first mortgage bonds due 1980, \$5 million preferred stock and about \$2.5 million common stock. It is rather unusual to do a combined financing job of this kind at one time, but presumably is more economical with respect to preparing registration, etc.

Capital ratios before and after financing were reported to be as follows:

	Before Financing	After Financing
Mortgage Debt	59%	51%
Secured Debentures	12	11
Bank Loans	6	--
Total Debt	77%	62%
Preferred Stock	--	11
Common Stock Equity	23	27
	100%	100%

The company has a clean plant account, with no plant acquisition adjustments to be written off, and intangibles are negligible.

Constructions requirements are estimated at \$6.5 million this year and \$5.8 million in 1951. Further financing will be necessary next year, which may include equity securities.

The company and its two subsidiaries serve substantial areas in Iowa and Minnesota and smaller sections in Wisconsin and South Dakota. The largest cities served are Dubuque and Clinton, Iowa, and Albert Lea, Minnesota. About 88% of the 266 communities served have less than 1,000 population. Revenues are principally electric, but include small amounts from sale of natural gas, manufactured gas, bus service and steam heating.

The principal activities in the territory served by the Company are agriculture, including the raising of corn, wheat, oats, alfalfa, peas, soy beans, poultry, cattle and hogs; dairy farming; packing, freezing, canning and processing operations, such as flour mills, feed mills, canneries, creameries, cheese factories, packing plants and frozen food locker plants; and the manufacture of furniture, tractors, cellophane, corn products, steel and wood products, and wood millwork.

The system is interconnected except for the most northern and western segments, but the western will be interconnected with the main properties by 1951. This will eliminate the purchase of power from Northern States Power for this part of the system, and might save in the neighborhood of 10% of production costs in this area.

Average residential revenues per KWH were 3.34¢ in the 12 months ended Feb. 28, 1950, as compared with the national average of about 2.94¢, and residential usage averages 1,659 KWH, slightly below the national average. The relatively high residential rate is doubtless due to the company's widespread operations (increasing the transmission cost) as well as its relatively small generating units. Of the total effective steam capacity of 110,000 KW, 45,000 has been installed since the war and another 9,000 since 1942. There is also a small amount of hydro and internal combustion capacity (with a large number of small units).

The Company's earnings in recent years have been as follows (000 omitted):

	Revenues	Gross Income	Net Income
12 mos. ended 2-28-50 pro forma	\$12,905	\$2,970	\$1,933
Calendar year 1948	11,271	2,962	1,526
1947	10,102	2,836	336
1946	9,147	2,849	383
1945	8,235	2,683	464

The low net income figures in 1945-6 reflected the heavy capitalization prior to the reorganization of March 31, 1948; fixed charges in 1945 were over double the current amount. The gross income figures are a better record of the earnings trend, although these also are somewhat distorted by the low Federal taxes prior to recapitalization.

Common stock earnings are estimated by the management at 95¢ pro forma for the calendar year 1950, and over \$1 next year appears likely. The dividend rate is 15¢ quarterly. Based on the recent offering price of 9¼ for the 275,000 shares of new common stock and the annual dividend rate of 60¢, the current yield is 6½% and the price-earnings ratio (using the estimated 1950 figure) about 10.

President Pickard is not apprehensive regarding Federal competition if and when the Missouri Valley Authority is developed, as the principal plants could be some distance away.

With Eastman, Dillon

PHILADELPHIA, Pa.—Eastman, Dillon & Co., members of the New York Stock Exchange, announce that Willard S. Boothby, Jr., is now associated with them in their Philadelphia office, 225 South Fifteenth Street.

With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, Fla. — Bernard B. Floyd has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 116 West Forsyth Street. He was formerly with Thomson & McKinnon.

Continued from page 15

The Accounting Profession And SEC Regulations

holders and investors, the most conscientious audits lose much of their meaning."

Inasmuch as the primary responsibility for proper accounting does rest on corporate management and, more specifically, on the controller, it follows that the controller must have complete knowledge, and be expert in the application, of the principles underlying the recording and reporting of financial transactions.

Furthermore the controller's responsibility with respect to the propriety of financial statements becomes very definite and personal when applied to statements filed with the SEC; for under the Securities Act of 1933[2] a registration statement is required to be signed by its officers including the "comptroller or principal accounting officer" and each signer thereof may be sued by any person acquiring securities covered by the registration statement "in case any part of the registration statement . . . contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading . . ."[3]

Accounting Officers Liability

Under the Securities Exchange Act of 1934[4] any one who furnishes data to be included in a statement filed with the Commission "which was at the time and in the light of the circumstances under which it was made false or misleading with respect to any material fact, shall be liable to any person (not knowing that such statement was false and misleading) who, in reliance upon such statement, shall have purchased or sold a security at a price which was affected by such statement, for damages caused by such reliance, unless the person sued shall prove that he acted in good faith and had not knowledge that such statement was false and misleading."

Both the 1933[5] and 1934[6] Acts impose criminal responsibilities upon any person who willfully commits violations of the type just mentioned.

In the January, 1950, issue of "The Controller" there appeared a very interesting and informative article by Mayo A. Shattuck entitled "Legal Aspects of the Controller's Position," wherein the writer suggested that the SEC is quite content to have, by reason of the statutory responsibilities placed upon the corporate controller, "some precise and easily definable individual" on whom it "can put the finger" if the Commission "is on the spot" because of "any accident or miscarriage in its territory." Mr. Shattuck urged that controllers should "resist collateral and artificial pressures to take the wrong road. The attempted utilization by the Securities and Exchange Commission of the controller as a supplement to that branch of government is the sort of collateral and artificial pressure which I have in mind."

Although the placing of the heavy responsibilities to which I have just referred upon corporate controllers was done by the Congress and not by the SEC, there can be no doubt that we are content with the arrangement but not because of any desire to have someone to "put the finger on" or to "make the goat." We look upon the controller, or the officer who acts in that capacity, as the one member of corporate management who, above all others, is completely familiar with the financial statements; who knows not only what the statements contain but also why they contain what they do. That is why we are interested in being assured that when financial statements are presented to us the controller has had a hand, either directly or indirectly, in their preparation.

2 Section 6(a).
3 Section 11(a) (1).
4 Section 18(a).
5 Section 24.
6 Section 32(a).

Record of Controller Responsibility

And I think it has been demonstrated quite clearly that we have not "had our money on the wrong horse." In the period of more than fifteen years that the Commission has been in existence thousands upon thousands of reports containing financial statements have been filed. During the fiscal year ended June 30, 1949, for example, more than 400 such reports were filed pursuant to the 1933 Act and more than 2,000 under the 1934 Act. Yet during all these years only one controller, to my knowledge, has suffered the penalties prescribed by the statutes. This occurred in 1940 in the McKesson & Robbins, Inc. case.

While the controller first establishes a direct relationship with the Commission when he signs a registration statement or furnishes data included in other reports filed with the Commission, he should be interested in the Commission — or at least in our activities pertaining to accounting—from the making of the very first entry for which he is responsible in his company's accounts; for he will, or should, want to know what our requirements are with respect to the reporting of the transactions recorded under his jurisdiction and if, in his opinion, these requirements are unrealistic or improper, he should make an effort to have them reconsidered.

As new or novel situations arise or conditions change, the controller should be among the first to recognize the necessity or desirability of adopting accounting procedures to keep step with such changes; and he should take an active part in the development of new, or the reconsideration of old, principles in order that this purpose may be accomplished.

This you have done and are continuing to do either through actions taken by individuals with respect to the accounts of their respective companies or in articles published in "The Controller," or by concerted action through the Controllers Institute in the form of recommendations in connection with, or criticism of, proposals of other groups or Federal or State bodies involving new or changed concepts of accounting.

Uniform Principles of Accounting Needed

However, I feel that as a body you have not been as forceful in making your views known as your position in the accounting profession warrants. This is especially true, I think, with respect to the development of uniform principles of accounting. In Commissioner Healy's 1939 address previously referred to he made the following statement:

"The business of keeping track of a corporation's financial life and financial health, however, requires a good deal more than the establishment of adequate mechanics for recording events. If the data accumulated is to be useful it must serve to convey information to those who study it. In this sense it is a language. And unless, like a language, it employs uniform definitions and is based on uniform principles it has not attained the greatest possible value, either to the management, or to those on the outside who seek to compare the results of different years or the results of different companies.

"To me one of the most surprising facts about present day accounting is its lack of a reasonably well formulated body of basic principles, or axioms, or hypotheses. The answer that I have been given over and over again upon questioning public and private accountants on this point is that such a body of principles is implicit in accounting and that many principles are so well accepted that expression and adoption of them in written form is not necessary. I do not believe that this is the fact. Instead, when I press the point I find considerable disagreement as to what is an elementary principle. And there is very little agreement as to what is the proper principle to be applied in situations which are admittedly elementary."

Although the Commissioner's remarks were made almost exactly eleven years ago, we still lack a substantial body of basic accounting principles which have become generally accepted.

What can be done to correct this undesirable situation? I should like to make some suggestions.

To begin with, I do not think that the Controllers Institute and the Commission's staff see enough of each other. Your Committee on Cooperation with the SEC dates back to the very beginning of the Commission and in the early days took a very active part in the formulation of the Commission's forms, rules and regulations. Subsequent to 1943 and especially since 1946, although the Committee has made helpful suggestions with respect to new, or changes in old, forms, etc., there have been few if any conferences between the committee and the Commission's staff notwithstanding that we have had to give consideration to such problems as the propriety of charging to current income amounts in excess of depreciation based on cost of plant facilities provided and their replacement at higher prices; presentation in financial statements of appropriations for future inventory losses and contingencies; the accounting for pensions; the accounting for compensation of officers and employees in the form of stock options; the treatment of transactions under "buy-build - sell - lease" arrangements; and adjustments resulting from the devaluation of foreign currencies. Many of these problems could have and, I think, should have been the basis for discussions with the Institute's committee. I should like to suggest that the committee or its representatives meet with the staff of the Commission occasionally for the purpose of exchanging views on current matters of mutual interest.

More SEC Contact With Controllers Needed

Furthermore, we do not have enough direct contact with controllers individually. Rarely does a controller or principal financial officer confer with the staff concerning problems involved in statements filed or to be filed with the Commission by his company. Even when conferences are had by the company with the Commission's staff, it is by no means the rule that the controller or his representative is present; in such conferences, even though they may involve only accounting problems, it is not unusual for the company to be represented by a non-accounting officer, an attorney, and, sometimes, by a representative of the company's independent accountant. Much time and expense would be saved and many misunderstandings could be avoided if the controller or his representative and a representative of the certifying public accountant attended all such conferences.

And, finally, it woul be extremely helpful, I think, if your Committee on Cooperation with the SEC and the similar committee of the American Institute of Accountants, or representatives of these committees, could, from time to time, meet informally with representatives of the Commission's staff and discuss "with our hair down" our mutual accounting and reporting problems. Certainly, had such a meeting been held back in the early part of 1947 before the problem of depreciation on cost versus replacement became acute, many of the headaches suffered by all of us could have been avoided and the investing public would have been spared the confusion which resulted from the issuance of annual reports to stockholders in which the financial statements, and especially the profit and loss statements, differed materially in many instances from those subsequently made public through reports filed with the Commission. At present there are several important accounting matters, e.g., our proposed amendment to Regulation S-X, which could be the subject of discussion at such a conference.

Since Regulation S-X is highly important to all persons who have any part in the preparation of financial statements filed with the Commission, it seems appropriate to indicate generally what we have attempted to accomplish in revising it and to mention briefly the points in the preliminary draft which have elicited the most comment.

Proposed Compilation of SEC Accounting Regulations

It has often been suggested that our rules and regulations pertaining to financial statements are not to be found in one place; that it is necessary to read the Commission's published opinions, the Accounting Series Releases and even speeches of the Commissioners and the staff to determine what administrative policies may have been adopted which are not contained in specific rules and regulations. We have sought to comply with these suggestions by including in the preliminary draft all pertinent data contained in the Accounting Series Releases, such accounting principles as we feel have received general acceptance and requirements with respect to certain matters which have been followed as administrative policy but which may have been expressed only in deficiency memoranda pertaining to individual cases or in the Commission's annual report.

For example, the policy expressed in Accounting Series Release No. 4, previously referred to, is included, as are the matters referred to in Release No. 10 (treatment of unamortized discount and expense applicable to bonds refunded) and Release No. 25 (quasi-reorganization procedure). Among several principles which we think have become generally accepted and which therefore have been included in the draft are:

(1) **Proposed Rule 3-12. Valuation of Assets**—"Except as otherwise specifically provided, accounting for all assets shall be based on cost. However, due consideration shall be given to evidence of probable loss and, where such evidence indicates an apparently permanent decline, recognition thereof shall be made by means of an appropriate write-down or by the establishment of an appropriate reserve; and

(2) **Proposed Rule 3-21. Stock Dividends.**—"Earned Surplus shall be charged with an amount reasonably representative of the fair value of capital shares issued as a stock dividend. The basis used in determining the amount so charged shall be stated in the balance sheet or in a footnote thereto."

A Commission policy not previously announced in any rule is that concerning the accounting for pension and retirement plans which was dealt with in Proposed Rule 3-24(e) as follows: "The terms and conditions of any employee pension or retirement plan shall be stated. Provision for the estimated unpaid cost of the benefits accruing to employees eligible under the plan shall be made in the balance sheet, and the basis for determing the amount therefor shall be stated."

Although several of the amendments were commented upon unfavorably the latter one pertaining to pensions was the one most criticized or questioned. Perhaps the proposed rule needs clarification. It was intended to reflect our policy that when a pension plan has been adopted, if it is not then funded, a reserve or liability covering the estimated cost thereof, determined upon an actuarial or other appropriate basis, should be established by systematic charges to income so that there will be provided the amount necessary to meet each employee's pension claims on his retirement.

It is, in any event, our policy to require the inclusion, in balance sheets filed with us, of the reserve or liability so determined with respect to employees who (1) have retired, and (2) have an irrevocable right to pensions and are eligible to retire, but have not retired.

As to those plans which legally may be discontinued at will by the registrant, although we feel, and I think it is generally recognized, that once a plan has been entered into, in the absence of serious economic reverses or other unusual situations it will have to be continued, it has not been our practice to require that the liability or reserve therefor be shown in the balance sheet. Instead we have required that the amount that otherwise would have been included in the balance sheet as a liability or reserve be disclosed in a footnote to the balance sheet together with the amount estimated to be the annual cost of the plan and a brief statement concerning the details of the plan.

Other comments were directed at the proposals with respect to accounting for or disclosing differences between estimated replacement cost and book cost of "Lifo" inventories, foreign exchange losses or gains, and status of income tax returns.

I hope that when the next draft is distributed for comment each and every one of you will let me know, either directly or through the Institute committee, just what you think of it.

In closing I should like to make it clear that the Commission's staff is at all times available for the discussion of accounting problems whether they pertain to statements filed or to be filed or to matters of general interest. It is only through a frank exchange of views and ideas that we can ever hope to attain a reasonable degree of uniformity in financial statements — statements without which our economic system would be in chaos.

With Townsend, Dabney

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine—Richard E. Kimball is with Townsend, Dabney & Tyson, 184 Middle Street.

Hardly Heartening!

"But whenever I see a labor law that needs modification I want it to be modified by its friends and not by its enemies.

"That law was modified not by its friends but by its enemies. The author of the law has already admitted there are 28 mistakes in it that ought to be corrected, and if he will admit 28 you will know there are at least 48.

Sen. Alben Barkley

Philip Murray

"The time will arrive when those who desired to restore and reincarnate justice and equality between employer and employee will take that law, wipe it from the statutes and write a new law that is fair to both."—Vice-President Alben W. Barkley.

"This movement (to drive communists out) will continue until every union in this country will build a democratic union. Nothing can stop it. . . . The people went out and voted and tore the UE to shreds in the election yesterday. The inexperienced IUE with only plant leadership fought and whipped this dirty crowd. . . . See that men are elected to Congress who truly represent the wishes of the people, and Congress will vote to eliminate the evils of Taft-Hartleyism."—Philip Murray.

Here are some rather typical instances of labor union politics of this day and time. They are hardly heartening.

This "amendment by friends" dodge is an old, old trick. As to communists in the unions, we should hardly argue in their favor, but neither can we grow enthusiastic about the Murray-led CIO.

Bond Club Field Day Sports Program

An elaborate sports program has been arranged for the Bond Club Field Day at the Sleepy Hollow Country Club on June 2, it was announced by J. Emerson Thors, Kuhn, Loeb & Co., Field Day Chairman.

Topping the day's events will be the annual Bond Club golf tournament to be played over two courses at Sleepy Hollow. Three trophies will be at stake—the Ex-President's Cup for low gross, the Candee Cup for low net, and the Christie Cup for handicap match play against par. In addition there will be a variety of cash prizes for Class A, B and C winners, for the most birdies, longest drive and a hole-in-one contest. James F. Burns, Jr., Harris, Upham & Co., Chairman of the Golf Committee, reports that entries for the tournament numbered about 200.

A round robin tennis tournament will enlist a score or more of Wall Street's best tennis players. The winners will compete for the Bond Club doubles championship won last year by Donald S. Stralem, Hallgarten & Co., and Will J. Price, Stone & Webster Securities Corp.

Other events in which Bond Club members will participate include a novel horse racing contest for adventurous riders and horseshoe pitching for bond men who prefer to keep their feet on the ground.

"For spectators only" there will be a softball game between the two outstanding women's professional teams in the East—the Raybestos Brakettes of Stratford, Conn., and the Arians of Linden, N. J.

Entries for the event under the direction of Wickliffe Shreve, Hayden, Stone & Co., have all been filled.

New York Stock Exch. Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

The interest of the late George L. Murray in Mol & Co. ceased May 11.

Stanley G. Welsh, member of the Exchange, retired from Morgan & Tomes, effective June 1.

Interest of the late John W. Cutler in Smith, Barney & Co. ceased April 30.

Halsey, Stuart Group Offers Reading Equips.

A group headed by Halsey, Stuart & Co. Inc. on May 26 offered, subject to authorization by the Interstate Commerce Commerce Commission, $5,430,000 Reading Co. 2¼% serial equipment trust certificates, series S, due semi-annually Dec. 15, 1950 to June 15, 1965, inclusive. The certificates are priced to yield from 1.35% to 2.55%, according to maturity, and are being issued under the Philadelphia Plan. The group won award of the issue at competitive sale on May 25 on a bid of 99.16%.

The certificates will be secured by 1,000 all-steel hopper cars and 500 all-steel box cars which will cost an estimated $6,857,850.

Joins French & Crawford

(Special to The Financial Chronicle)

ATLANTA, Ga.—Carl A. Pruett is with French & Crawford, Inc., 22 Marietta Street Building.

Joins Lon Grier

(Special to The Financial Chronicle)

MILWAUKEE, Wis.—Elmer H. Engel has become affiliated with Lon L. Grier & Co., First Wisconsin National Bank Building. He was formerly with Loewi & Co.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Volume and activity in the government market is still on a restricted basis. Price fluctuations have been minor, although there has been no change in the control policy of the monetary authorities. The ineligible issues are available for those that want them and they are going out of the market as in the past. A good part of the limited activity has been accounted for by the 1959/62s, with the Vics still in the limelight. Bank issues have also been on the quiet side, despite the greater attention that is being paid to the shorter end of the list.

With a slower, less active market there have been no particular standout situations. Traders and dealers are still on the sidelines, which means the market is largely an order affair. It seems as though the longer-term bank obligations have been getting a bit of rest, although the 1956/59s, the 1956/58s and the 1967/72s have been in some demand at specific prices. The 1⅜s of 1954 and the 1⅛s of 1955 are being moved in and out of bank positions. The 1952/54s continue to attract buyers, but not in as sizable amounts as previously.

Federal on the Sidelines

An even keel seems to be in the offing for the government market, at least until current refundings have been taken care of. Quotations continue to move in a narrow range on not too sizable volume. The forces that can put pressure on prices are still there, but are not being applied as vigorously as they have been on occasions in the past. This is taken to mean that the authorities, with the situation well in hand, are probably inclined to let out only enough securities to restrict somewhat the credit base and to prevent quotations from breaking away from the recently established confined ranges. As long as Treasury obligations are coming into the market for sale from outside sources, there is less need for liquidation of those issues held by the Central Banks.

While there have been times when Federal and others have both been sellers, this is happening less frequently, because the Central Banks now appear to be more willing to pull away from the market and let the outsiders have it to themselves. The current level of quotations is no doubt responsible in some measure for this action on the part of Federal.

Two Schools of Thought

The government market must be kept in condition to finance the deficit at not too great an interest cost and, accordingly, the feeling seems to be more prevalent now that prices of long-term Treasuries are not likely to change substantially from prevailing levels. One school of thought believes the business boom is running its course and when economic conditions are reversed there will be less pressure upon the government market. They hold the opinion that Federal will proceed mors deliberately and cautionsly from here on in the money markets since too drastic action by the Central Banks could have a very adverse effect on the economy as a whole.

The other point of view is that Federal will continue to gradually increase yields of Treasury obligations, as a means of combating the inflationary pressure. Larger expenditures for rearmaments will keep the spiral going, but in order to limit the effects of deficit financing upon the economy the Central Banks will be sellers of long Treasuries. This will bring down prices of the more distant obligations. No attempt is being made by this group to pick the level at which prices and yields might be stabilized. They do, however, agree that the 2½% rate for long governments will not be violated. If the pressure should be strong enough, however, the 2.40% basis for the Vics would most likely be passed through, according to those that are concerned about stronger inflationary forces.

Corporate vs. Treasury Bond Yields

The narrowness of the yield spread between corporates and governments is still a subject of considerable discussion in financial circles. Many very shrewd money market followers contend the yield differential between the best corporates and comparable maturities of Treasuries will have to widen, with the non-government obligations eventually going to higher yields. This is not a new situation because for some time now, sales of corporates have been advised in many instances, due to the proximity of their yields to those of governments.

Nonetheless, the results have not been too satisfactory up to now since only dribbling amounts of corporates have come in for sale because of the small yield differential between them and government issues. Holders of the highest quality corporate bonds so far are not acting dissimilar to the owners of the 2½s September 1967/72. They both seems to listen a lot, but are not very easily separated from their merchandise.

Market Briefs

The increased volume of tax-exempt securities which will be coming into the market, could have an effect upon the partially-exempt Treasuries, is the opinion held in some quarters. Yields might be shaded in some of the tax-protected Treasury issues, because of the larger municipal offerings. However, those expressing concern about the exempt Treasuries have been and most likely will continue to be the heaviest takers of these government obligations.

Swopping of governments has slowed down considerably, because it seems as though many owners of switchable Treasury obligations are going to take a breather and wait and see what the deficit financing is going to look like before they do much more moving around. Municipalities have been among the sellers of the 2¼s of 1959/62. Buyers of the 1960/65s are not finding it too easy to pick up this issue.

New York Analysts Choose New Officers; Spurdle Elected Pres.

John W. Spurdle, Manager of the Investment and Statistical Departments of Dominick & Dominick, investment bankers, was elected President of the New York Society of Security Analysts, Inc., at the annual meeting, succeeding the retiring President, Joseph M. Galanis. Mr. Spurdle, who has been Vice-President of the New York Analysts Society for the last year, has been associated with Dominick & Dominick since his graduation in 1928 from the Wharton School of Finance and Commerce. He is a director of the National Federation of Financial Analysts Societies, which comprises more than 2,000 members of the analysts societies in New York, Philadelphia, Boston, Montreal, Detroit, Chicago, St. Louis, Los Angeles and San Francisco. He is a member of the Bond Club of New York, the Wall Street Forum and the Oil and Natural Gas Securities Committee of the Investment Bankers Association.

John W. Spurdle

The following also were elected officers of the New York Analysts Society at the annual meeting today: Vice-President, Jeremy W. Jenks; Secretary, Marvin Chandler; Treasurer, Nathan Bowen; members of the Executive Committee: John Childs, Patrick J. James, Sidney Lurie, Woodward Norton and Albert Squier.

Joins J. A. Warner Co.

(Special to The Financial Chronicle)

PORTLAND, Maine—Henry C. Richards is with J. Arthur Warner & Co., Inc., Clapp Building.

With F. L. Putnam

(Special to The Financial Chronicle)

BOSTON, Mass.—John Bartlett Wells has been added to the staff of F. L. Putnam & Co., Inc., 77 Franklin Street, members of the Boston Stock Exchange.

Continued from page 6

Shortcomings of U. S. Foreign Trade Policies

ministering this help to Europe in a very efficient and effective way.

However, our efforts to restore multilateral international trade on a non-discriminatory basis have so far been frustrated. Back in 1944 Lord Keynes in a letter written to me stated: ". . . in order of urgency the main objective to be attained is the free convertibility of the pound sterling." There is an intimate connection between the fact that the pound remains inconvertible and our inability to restore the freedom of international trade on a non-discriminatory multilateral basis. It is therefor appropriate to inquire whether the present plans of our government will finally bring about the kind of world for which we are striving. If the answer should be in the negative, we must also attempt to answer why, in our opinion, will the present policies of the government not accomplish what we are seeking, namely freedom of trade and the expansion of non-discriminatory multilateral trade.

The "Dollar Shortage"

Before I express some views on our new ideas and schemes in foreign trade policy I should like to make a few remarks on the fashionable modern disease known as the "dollar shortage." The well-known British professor, Roy Harrod, in his book "Are These Hardships Necessary?" stated:

"This allegation of a world dollar shortage is surely one of the most brazen pieces of collective effrontery that has ever been uttered."

He also asks:

"Has the sustained mental and moral effort of combatting Hitler before and during the war been so great that the mind of the European man is atrophied and he will answer in good faith any phrase, however nonsensical, as an anodyne?" (I am afraid the same question could be asked about ourselves.)

To the assertion that "the multilateral system will never work so long as there is a dollar famine" Roy Harrod answers:

"It is not a question of the Americans forcing their goods upon us; we desperately need them, but have not chosen to allocate a sufficient quantity of resources to producing goods by way of exchange."

There is no doubt that the greatest sins against the expansion of free trade are committed in the name of the modern bogey of "balance of payments difficulties." The well-known British professor, D. H. Robertson, in an article published in the "Economic Journal" had the following pertinent remarks to make regarding this modern bogey:

"What are politely called 'balance of payments difficulties' do not necessarily drop like a murrain from heaven . . . any nation which gives its mind to it can create them for itself in half an hour with the aid of a printing press and a strong trade union movement."

Let us look a little bit closer to this question of the "dollar shortage" because it is vital in our exploration of foreign trade policy.

Some people contend that there is a "dollar shortage" because we wish to export more than we import. This interpretation of the "dollar shortage" does not quite make sense because this kind of a "dollar shortage" can arise only from overvaluation of foreign currencies or the deliberate use of monetary reserves to buy needed imports. There can be, of course, a "dollar shortage" equal to the amount of gifts we make abroad, but this kind of "dollar shortage" is as large as we desire to make it.

Another sense in which the "dollar shortage" slogan is used, is that our country is so rich and industrially so powerful that the other countries cannot either compete against us in foreign markets or import into the United States. I cannot accept this abused meaning of the dollar shortage because how would one otherwise explain England's trade with backward countries in former times and even at present?

Still another meaning attached to the "dollar shortage" is the following, which may or may not have validity: The European countries are supposed not to be able to obtain by exports the dollars they need to buy goods which presumedly they can buy only in the United States. This may be true in the sense that the new dislocations created by the war would make the balancing of the international accounts of various European countries possible only at a very low standard of living. This may be particularly true because of our tariffs on many commodities which the Europeans could sell to the United States in quantities. I am inclined to think that this argument has validity in the case of Great Britain.

In summary, there may be such a problem as the "dollar problem." The specific answer to the "dollar problem," as an American responsibility, is to make possible a large amount of imports into the United States, provided, however, the other countries play the game mainly by removing exchange controls and import quotas. But the "dollar problem" interpreted to mean a "dollar shortage" is mainly a problem for the foreign countries which mismanaged their domestic economies and monetary and credit systems, with the result that they create balance of payments difficulties. Much as it may be true that there is a "dollar problem," it is not less true that the world is confronted mainly with a "sterling problem."

Why Deficits in International Balance of Payments

Before 1929, and particularly before 1914, persistent or chronic balance of payment deficits were quite rare occurrences and happened only in the case of small countries. In other words, the maintenance of international solvency was a cardinal preoccupation of all countries. Why do so many countries have persistent or chronic balance of payment deficits nowadays? There are fundamentally two reasons.

First of all, the European countries, with the exception probably of Belgium, are still suffering from inflationary conditions and pressures. As long as a country pursues certain domestic economic policies, which we can define as nationalistic socialism, it is bound to produce a disequilibrium which leads to balance of payments difficulties. Our own deficit spending helps to maintain this condition in the world. Most of the European countries indulge in over-investment, live beyond their means, and without much regard to their international solvency. The Marshall Aid itself adds to inflationary pressures in the European countries. As a consequence, they have too much money and too little incentive. We have an artificial economic condition not unsimilar to the one we had in Germany—thanks to the long-term credit extended by the American's in the 1920's.

The main instrument of nationalistic socialism is exchange controls. I sincerely propose a war against exchange controls which are the diabolic instrument of economic nationalism. As long as there will be exchange controls the international economy will disintegrate and we shall never get back to economic sanity.

The second fundamental reason which explains the persistency of balance of payment deficits despite all the American help, is the following. The monetary mechanisms which used to reestablish equlibrium in the international accounts have been discarded. What were these monetary mechanisms? Under the gold standard it was the movement of gold. When the gold standard was abandoned, it was the free movement of exchange rates. The absurdity of the present situation is that we are pursuing goals which are completely irreconcilable. We just can't have autonomous monetary policies (with corresponding aberrant price levels), free trade and fixed exchange rates. We can have these things together only as long as we maintain exchange controls, import quotas, and all the Schachtian paraphernalia.

Suggested Remedies

In the light of what I have said so far, it is clear, I hope, that if we wish the restoration of a well-knit world economy and non-discriminatory multilateral trade, we should ourselves pursue the following policies, and extend help only to those countries which are willing to come back to economic sanity:

(1) The United States should have domestic economic policies compatible with its international purposes and obligations. It is quite clear that the agricultural policies, the subsidies, and even the monetary and wage policies we are pursuing domestically, are are not compatible with our proffered international goals.

(2) We should insist that the other countries, particularly those to which we extend help, should eliminate all controls and quotas which prevent the freedom of international trade.

(3) We should insist that the countries to which we extend help should restore the free convertibility of their currencies by eliminating exchange controls.

If we want to reestablish freedom of trade between countries we must before anything else restore an efficient monetary system, able to regulate automatically the international balance of payments of a country. In other words, the integration of Europe will become a possibility and a reality only if and when the European countries get again real currencies. If Europe had again real currencies with an adequate self-regulatory monetary mechanism of international balances, we could eradicate import quotas and even tariffs, should Europe so choose. Under such conditions this could be accomplished without any super-government or compulsion of the individual. Many people contend that we could think of reestablishing the free convertibility of currencies only after we first get the balance of payments of the various countries in equlibrium. The same contention was made in the early twenties. I strongly believe that the free convertibility and perhaps the stabilization of the currencies are the necessary conditions for securing the equilibrium of balance of payments.

How can we get again a proper monetary mechanism and real currencies? To accomplish this there are three over-riding conditions: One is to have balanced budgets. The second condition is to permit the economic readjustments compatible with a sound monetary system; and third, to make possible the accumulation of adequate monetary reserves.

(4) We must insist on the removal of all kinds of controls and monopolies which prevent the proper functioning of the price-mechanism in free markets. Only by the restoration of a cost-price structure, as world-wide as possible, shall we be able to restore and maintain a free world and secure a slow but constant rising standard of living through the international division of labor.

Can We Have Convertability of Currencies in Multilateral Trade?

Let us now examine whether the recently proposed policies make possible the restoration of the free convertibility of currencies and of free multilateral trade.

First, the government is pressing the ratification of the Havana Charter of an International Trade Organization. I have explained elsewhere that the Havana Charter is a dangerous agreement which would prevent the expansion of international commerce. It is a fact that we shall not be able to restore free multilateral trade as long as the pound sterling remains inconvertible. It is also admitted that as long as a government pursues, as an overriding objective, a so-called full employment policy by means of economic planning, it needs to controls international trade by means of exchange controls and import quotas. Nationalistic socialism and free multilateral trade are incompatible for the simple reason that a socialistic country is very apt to have balance of payment difficulties due to the nature of its policies, which are usually carried on without regard to international solvency. The British were perfectly aware of the incompatibility between planned socialistic economic policies and freedom of international trade, and therefore insisted, against the wish of the American delegates, on having Articles 6 and 21,4(b) included in the Charter. These provisions, as I have repeatedly stated, are the most important and dangerous provisions of the Charter from the American viewpoint and would permit, with our consent, a perpetuation of import quotas and discrimination against the United States trade.

To realize that my reasons for calling the ITO a dangerous document are not illusionary, I wish to quote a statement made on January 20 by Mr. Harold Wilson, President of the British Board of Trade:

"Basic controls, such as those of the location of industry, foreign exchange, and the volume of investment, will be maintained as permanent instruments to insure the maintenance of our position and the fulfillment of our full employment program."

It is therefore clear that the first thing we should do if we wish to restore free multilateral trade is to reject the ITO Charter.

European Clearing Union

The second recommendation which has recently been put forth by the ECA is a European Clearing Union. Now, the balance of payments of Europe used to be accomplished by multilateral trade. I am afraid that the proposed Clearing Union is to a great extent a denial of the very principles of multilateral trade which made the balancing of the accounts of the European countries possible. Without Great Britain the Clearing Union would be inffective. If Great Britain joins the Union it will be only with so many reservations that it would still be ineffective. To a certain extent the Clearing Union is inflationary, and it will postpone the day when European currencies may become convertible against the dollar. Meanwhile the discrimination against United States goods will have to be reinforced. Fundamentally I am opposed to the Clearing Union because the governments will retain exchange controls and import quotas. Furthermore, the Clearing Union will not permit the free fluctuation of exchange rates without which the reestablishment of the free convertibility of currencies will be impossible. I am afraid that the European Clearing Union will only increase the disequilibria and dislocations between Europe and the outside world, and furthermore that it may make necssary a sort of European exchange control. To obtain the integration of Europe we must abolish exchange controls and restore the free convertibility of currencies. The European Clearing Union cannot accomplish this fundamental aim. Some may argue that it is a gradual approach to the restoration of the free convertibility of currencies. I contend that it is time now to abandon gradualism in the restoration of the free convertibility of currencies. On the contrary, we should take advantage of the two remaining years of the Marshall Plain aid to make it possible for the European countries to secure additional monetary reserves. In other words, the main purpose of the Marshall Plan in the two remaining years should be to permit the European countries to cumulate enough monetary reserves so that the restoration of the free convertibility of currencies should become a practical possibility.

Pooling of European Resources

The latest proposal for the integration of Europe is the French plan for a pooling of the steel and coal resources of France and Germany. I think that this proposal has great psychological and political merits. From an economic viewpoint, however, I fail to see in it anything else than a trust—a kind of government monopoly which will decide on the investment, production and prices in these two basic industries. While the details of the plan are not known, I fail to see how this pooling of steel, in particular, could be done without nationalizing the steel industry both in France and Germany.

As you see, I fail to see in our present foreign trade policies anything which leads to restoration of non - discriminatory multilateral trade. The integration of Europe and the restoration of a well-knit world economy can be brought about only if Europe gets first a sound monetary system based on real currencies and if we restore the proper functioning of the price mechanism. Our main and overriding objective must be presently the restoration of free convertibility of currencies without which we shall not be able to get again economic sanity in the world.

Milwaukee Bond Club Annual Picnic

MILWAUKEE, Wis.—The Milwaukee Bond Club announces that their annual picnic and field day will be held at Oconomowoc on June 15 at the Lake Club and at the Oconomowoc Country Club. A special program has been arranged in honor of the founders of the club. Committees are being appointed and arrangements are being made for an outstanding day of activities. Guest fees are $10.

A Quarter Century Club has been authorized and formed under the chairmanship of Harold Walker, of Loewi & Co. This club of members of the Bond Club who have been members for 25 years will be launched at a party scheduled for this fall.

Rossman to Admit

Stephen A. Tanburn will become a partner in F. L. Rossman & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on June 1. On May 31 Charles Wohlstetter retired from partnership.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Charles N. Van Houten has been appointed an Assistant Vice-President of the **Federal Reserve Bank of New York,** effective June 1, Allan Sproul, President, announced. Mr. Van Houten is assigned to Government Bond, Safekeeping of Securities, and RFC Custody operations.

A native of Virginia, he began his banking career with the National City Bank of New York and the Chemical National Bank, joining the Federal Reserve Bank in 1916, and becoming an officer of the Bank in 1934. He has served in a variety of assignments, including a period during the war as Manager of the Foreign Funds Control Department.

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The **National Association of Mutual Savings Banks** has made available in its Directory of Mutual Savings Banks of the United States a list of Officers, Council of Administration and Executive Members of the Association elected at the 30th Annual Conference held in New York May 4 and 5. The list of Officers and Staff Members follows:

President, A. Livingston Kelley, President, Providence Institution for Savings, Providence, R. I.; Vice-President, Carl G. Freese, President and Treasurer, Connecticut Savings Bank, New Haven, Conn.; Treasurer, Randolph H. Brownell, President, Union Square Savings Bank, New York, N. Y.; Executive Secretary, John W. Sandstedt, 60 East 42nd Street, New York, N. Y.; Assistant Secretary, Henry J. Hand; Assistant Treasurer, Frances L. Plant; Counsel, Fred N. Oliver, Investment Building, Washington, D. C.; Public Relations Director, Jason W. Stockbridge; Economist, Dr. W. H. Steiner.

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Today (June 1) the **Corn Exchange Bank Trust Co. of New York** will open its newest branch, in Riverdale. The branch located at 3741-45 Riverdale Avenue, in the Bronx, will be fully equipped to render every modern banking service. This will be the bank's 76th branch.

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The Nominating Committee of the New York Chapter of the **Robert Morris Associates,** National Association of Bank Credit Men, announced on May 29 the election of Stephen Van Rensselaer, of the **First National Bank of New York** as President for the 1950-1951 term. He succeeds John T. Degnan of the **New York Trust Co.,** who becomes a member of the Board of Governors. Other officers elected are G. Kenneth Crowther, Guaranty Trust Co., First Vice-President; Curtis R. Bowman, Federal Reserve Bank of New York, Second Vice-President; Charles H. Fritscher, Bank of New York and Fifth Avenue Bank, Treasurer; and Donald W. Baker, Central Hanover Bank & Trust Co., Secretary. Those elected to the Board of Governors for a two-year term, in addition to Mr. Degnan, are Thomas M. Keefe of the Public National Bank; Edward S. Frese of Grace National Bank, and Alfred B. Reed, First National Bank of Kearny, N. J.

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Albert J. Gowan, Executive Vice-President of the **South Side Bank of Bayshore, N. Y.,** was elected Chairman of Group 7, **New York State Bankers Association,** for the ensuing year at the annual meeting of the group on May 25 at the Garden City Hotel, Garden City, N. Y. Ralph W. Dey, an Assistant Vice-President of the National City Bank of New York, was elected Vice-Chairman, and Ernest L. Dane, Vice-President and Cashier of the East Rockaway National Bank & Trust Co., East Rockaway, N. Y., was elected Secretary-Treasurer. Carl Meyer, a Vice-President of the Bank of the Manhattan Co. of New York, was elected to serve a three-year term as Group Representative on the Council of Administration of the New York State Bankers Association. Members of the Executive Committee of Group 7, which comprises State Association member banks doing business in the counties of Kings, Queens, Nassau, Suffolk and Richmond, also were elected for the ensuing year. They were: Earl Laing, Vice-President, Staten Island National Bank & Trust Co. at Port Richmond; Charles Mangan, Vice-President and Secretary, Great Neck (N. Y.) Trust Co., and Ernest L. King, President, Flushing (N. Y.) National Bank.

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Louis Franklin Rahmer, senior credit analyst for the **Bank of New York and Fifth Avenue Bank of New York City,** will join the staff of **The Bank of Virginia at Richmond** on June 10 as Vice-President in charge of the credit analysis department, according to an announcement on May 27 by Thomas C. Boushall, President of The Bank of Virginia. Mr. Rahmer has been a credit analyst for the Bank of New York since 1929. Since 1926 he has been a member of the Bank Credit Associates of New York. He served as President of that group in 1929-30, as Governor from 1930-34 and as a member of the Program and Educational Committee in 1948-50.

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E. C. Gersten, President of **The Public National Bank and Trust Co. of New York,** announces that Eugene Brinker and Jerome D. Twomey of the Broadway and 24th Street office, were appointed Assistant Cashiers.

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According to a joint announcement by Andrew Wilson, Jr., Chairman of **The County Trust Co.,** and John Burling, President of the **Citizens Bank,** both of **White Plains, N. Y.,** it was disclosed on May 18 that the two institutions will be merged if the proposal is approved by the State Banking and Federal Reserve authorities, as well as the stockholders of both banks. The directors of the two banks have already endorsed the plan. Mr. Wilson and Dr. Joseph E. Hughes will continue as Chairman and President of The County Trust Co. John Burling will assume the title of Assistant Chairman of the consolidated banks and William L. Butcher and William W. Post will be Executive Vice-President and Secretary-Treasurer, as at present. The new board of directors will include some of the present directors of the Citizens Bank. It is announced that the present office of the Citizens Bank will be continued and that no changes in the staff are in contemplation. "Under the arrangement," said Mr. Burling of the Citizens Bank, "our stockholders will receive $180 per share for their stock." It is stated that with the additional assets acquired from the Citizens Bank, the total resources of The County Trust Co. will probably exceed $160,000,000, including $10,000,000 of capital funds.

The County Trust Co. was founded in 1903. In 1947 it consolidated with the **Washington Irving Trust Co.** and the **Bank of Westchester,** and increased the number of its offices to 18, located in 14 Westchester communities. The Citizens Bank was founded in 1907. Its first President was Sen. George T. Burling, the father of John Burling, who has been President of the institution since 1927.

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Edward L. Clifford, Vice-President of the **Rhode Island Hospital Trust Company** and the **Rhode Island Hospital National Bank of Providence, R. I.** since 1946 was elected President of the **Worcester County Trust Company of Worcester, Mass.** to succeed William D. Ireland at a meeting of the directors on May 23. Mr. Clifford will take over his new duties on July 1. Mr. Ireland resigned Feb. 28, and on July 1, becomes President of the **Second National Bank of Boston.** Harry C. Midgley, Jr., of the Worcester office and M. Harold Johnstone, of the Fitchburg Office of the Worcester Trust were elected Assistant Treasurers at the same meeting. In the Rhode Island Hospital banks Mr. Clifford has had a broad experience. He is a member of the Management Committee of Three, which controls the administrative policies of the banks. The combined deposits of the Rhode Island Hospital banks is in excess of $203,000,000, and its trust department has assets of several hundred million dollars. Mr. Clifford, was born in Evanston, Ill. and graduated from Princeton University, B.S., in 1928 and Harvard School of Business Administration, M.B.A., 1932. After graduating from college he spent a brief period with Hornblower & Weeks, in New York, a brokerage concern and went with the Rhode Island Hospital Trust Company in 1932. He was commissioned a Lieutenant in the U. S. Reserve in 1942 and served a tour of duty aboard the carrier U. S. S. Princeton in the Pacific. He participated in six major engagements and was then sent to the office of the Aviation Personnel Division, Deputy Chief, Naval Operations (Air) in Washington, where he served until he was separated in 1945 with the rank of Lieut. Commander.

Harry R. McIntosh, a Director, Treasurer and the Senior Vice-President, of the Worcester County Trust Company, is designated by the directors as the Vice-President who shall in the event of the absence of the President have the powers and perform the duties of the President.

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Walter C. Wulff, who was Vice-President of the Orange First National Bank of Orange, N. J., has been appointed a Second Vice-President of the **Fidelity Union Trust Co. of Newark, N. J.,** it was made known in the Newark "Evening News" of May 17, which stated that the appointment will become effective June 1. Mr. Wulff will be connected with the Ironbound Branch of the Fidelity Union. His resignation as Vice-President of the Orange bank was made known incident to that bank's proposed consolidation with the **National State Bank of Newark,** as to which reference was made in our issue of May 11, page 1964.

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The National Bank of Springdale, at Springdale, Pa., capital (common) $150,000, was placed in voluntary liquidation on May 15, having been absorbed by the **Peoples First National Bank & Trust Co. of Pittsburgh.**

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The Mellon National Bank and Trust Co. of Pittsburgh, on May 12 honored 190 employees who have completed 25 years in banking. They were made members of the bank's Quarter Century Club during a Hotel William Penn reception at which Lawrence N. Murray, President of the bank, presided, according to the Pittsburgh "Post Gazette" of May 13.

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The absorption on May 12 of the **Keystone National Bank in Pittsburgh, Pa.,** by the **Colonial Trust Co. of Pittsburgh** was made known in the May 22 issue of the bulletin of the Office of the Comptroller of the Currency. The Keystone National had a common capital of $400,000. George A. Ittel of the Keystone National is the liquidating agent.

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At the concluding session of its two-day convention in Atlantic City, N. J., on May 16 the **Maryland Bankers Association** elected 1950-51 officers as follows: President, Harvey E. Emmart, Vice-President of the Baltimore National Bank; Vice-President, Samuel P. Cassen, President of the Towson National Bank of Towson, Md.; Treasurer, Dennis J. Thompson, Cashier, County Trust Co. of Maryland, at Annapolis; Secretary, Matthias F. Reese, Secretary-Manager, Baltimore Clearing House; Assistant Secretary, William B. Elliott, Assistant Secretary-Assistant Manager, Baltimore Clearing House. More than 500 Maryland bankers and their guests, representing all sections of the State, attended the sessions.

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Bank festivities at **Newport News, Va.,** attracted over 4,000 visitors when the **Bank of Virginia** opened its new quarters on May 1. The move from the old location to the new one was accomplished over the week-end. The bank has had a branch in Newport News since 1925 and had been at the same location since 1927. Edward N. Islin, a native of Newport News, is Manager of the branch. He has been a Vice-President of the bank since 1946 and observed his 25th anniversary of service with the bank in March of this year. The Bank of Virginia was founded in 1922 as The Morris Plan Bank of Richmond. Mr. Islin joined the local staff in 1925, the year the Newport News branch was established, and was elected Assistant Cashier in June, 1927. He was assigned to the main office in Richmond in March, 1935, and was elected Assistant Vice-President in January, 1942. In 1943-44 he went to Roanoke to assist in the management of the branch of that city and in 1944 returned to Newport News as branch manager and was elected Vice-President in January, 1946.

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The sale of new stock to the amount of $25,000 has served to increase the capital of the **First National Bank of Hinton, W. Va.,** from $275,000 to $300,000. The new capital became effective May 17, the Office of the Comptroller of the Currency reports.

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Plans of the **Harris Trust & Savings Bank of Chicago** to pay a 25% stock dividend to shareholders of record July 20 were made known on May 15. The stockholders will act on the proposal on July 12. Under the plans the capital of the bank would be increased from $8,000,000 to $10,000,000 through the transfer of $2,000,000 from undivided profits, which then would stand at $3,600,000, while the surplus would be $15,000,000. The bank, incorporated in 1907 with an original capital of $1,250,000 and surplus of $250,000, is an outgrowth of N. W. Harris & Co. founded in 1882 as an investment house.

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The underwriting group headed by First of Michigan Corp. and Watling, Lerchen & Co. that underwrote the offering of 50,000 shares of stock of the **Detroit Bank of Detroit, Mich.,** terminated on May 17. As noted in our May 11 issue, page 1964, the bank's stockholders voted on April 25 to increase the common capital stock by issuing 50,000 additional shares of $20 par value each. It is announced that 49,173 shares were subscribed for through the exercise of subscription warrants issued to stockholders of the bank; 10,007 shares were subscribed for by the several underwriters and together with 827 unsubscribed shares have been sold by them.

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Six promotions in the trust department and one in the commercial department of the **Mercantile-Commerce Bank & Trust Co. of St. Louis** were announced on May 18 by W. L. Hemingway, Chairman of the board, following the regular board meeting. The following Assistant Trust Officers were promoted to Assistant Vice-Presidents: Thomas R. Evans, with the bank since 1926; T. W. Johnson, with the bank since 1919; Victor F. Moeller, with the bank since 1917; John J. Rabbitt, with the bank since 1913; Richard J. Weidert, with the bank since 1928; Herbert W. Green was appointed Assistant Trust Officer. He has been with the bank since 1937. In the commercial department, Alfred E. Vohs was appointed Assistant Cashier. He joined the bank in 1934, and has been a Teller since 1941.

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As of May 17 the **State National Bank of Corpus Christi, Texas,** increased its capital from $250,000 to $500,000 through a stock dividend of $200,000. The $250,000 capital was raised to $450,000, while the further enlargement to $500,000 was brought about through the sale of $50,000 of new stock.

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The directors of the **California Trust Co. of Los Angeles, Cal.,** have elected L. M. Eckert an Assistant Trust Officer, it is announced by Frank H. Schmidt, President. Formerly associated with Vanguard Films, Inc., Mr. Eckert joined the trust company's staff in April. He is a graduate of the law school at Washington University, St. Louis, Mo., and from 1939 to 1945 was engaged in the trust business in Beverly Hills.

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With Uhlmann & Latshaw

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—James M. Purcell is with Uhlmann & Latshaw, Board of Trade Building, members of the New York and Midwest Stock Exchanges.

Four With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Virgil L. Phillips, Lucien S. Curtis, Jay W. Todd and Garland C. Troxel are with Waddell & Reed, Inc., 1012 Baltimore Avenue.

C. G. McDonald Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Austin F. Bement is with C. G. McDonald & Company, Penobscot Building, members of the Detroit Stock Exchange.

With A. Ahmadjian

(Special to THE FINANCIAL CHRONICLE)

WHITINSVILLE, Mass.—Chester Osterman is with A. Ahmadjian & Co., 70 Church Street.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

INDEPENDENCE, Mo.—Denzil O. Cato is with Waddell & Reed, Inc. of Kansas City.

Continued from page 19

Requisites for a Dynamic Economy

would be readily at hand if the productive output of European and Asiatic countries could be increased to such a level that would make their goods more competitive in the world markets and more desirable as American imports. This, we are told, is the critical element lacking in the establishment of free world trade and a natural distribution of supply and effective demand. The actual truth is that while we pay tribute to an enlargement of international trade and to the doctrine of international free enterprise, we actually practice a restrictive, controlled economy at home and have no real intention of increasing any imports that would impose a serious problem to any segment of American domestic economy.

We would welcome indeed a higher exchange of goods between the allied nations and those in the Russian sphere of influence, and this may well be achieved and produce a partial settlement of our economic dilemma if we are able to bring to a conclusion the cold war. Even so, we would not have solved the problem of increasing American exports or of draining off our markets the dangerous surpluses that threaten unemployment and the disruption of orderly economic development.

Actually, the problems of dollar shortage and the economic insecurity of our allied countries constitute one of the great hazards in the maintenance of our own domestic economy and in the assurance of world economic stability.

This imposes strange thinking on the American who has generally regarded exports as a small percent of our national output. We have no traditions such as England, who has for generations had their whole national life depend upon the development of foreign trade.

U. S. Must Assume World Leadership

We are just coming to the realization that we must assume a position of leadership in world economy or face disaster. Self-sufficiency is neither plausible nor desirable. We are the strong arm of all of the nations not under Russian influence. We are their economic hope, and only because we are, we are their political hope. We are told repeatedly by our national leaders of our military superiority, and admonished that if we keep ourselves physically strong, we will not be the subject of military attack. We are just coming to the realization that we must be economically strong as well, and must give direction to the factors allowing international economic exchange or the whole world's anchor of stability will have slipped from its mooring.

We must know as well that a disastrous inflation and collapse in this country would have serious implications in the maintenance both of the peace and governments of the world, and might well mean the difference in the whole economic development of our generation.

I think we must establish in our thinking a pattern of imports and exports that will allow a gradual readjustment of the whole world's economical use and supply of available goods. We cannot delude ourselves into thinking that we can set a year and a time in which we cut off direct aid and become a favored market place for other nations. This is both unrealistic and unreasonable.

We must realize that there is to be some pain and disruption in our own national economy to accomplish any sort of international trade.

Surely from the first war we must have learned that all payments of international debts involve the shipment of goods from the debtor countries to the creditors, and that these goods necessarily involve adjustments in our own domestic economy.

We must as well realize that so long as direct aid is even a partial answer to the maintenance of free countries, the American price structure becomes a significant factor both in what we are able to do for our allies and the cost that is involved to the American taxpayer.

No solution to the problems of world markets can be based upon use of dollars or the free flow of gold. During the war some gold migrated from America as we made purchases for our allies. Ever since the war we have become a constant recipient of gold. In January of 1950, our gold stocks amounted to $24,507,000,000. All of the gold reserves of the other principal countries of the world outside of Russia amounted to less than $5,000,000,000.

Whatever avenue of trade we do develop must be on a basis of commodity exchange. The displacement and readjustments that thereby must be made at home are pointed up in Texas by the increase of oil imports since mid-1949 to an average of 700,000 barrels per day. Not only has the individual economy of many been affected, the financing of the state activities may well have to find new fields of support.

We have completely reversed our field of international thinking since the first war by our activities in the United Nations, and by the creating of loans through the Export-Import Bank or by credits extended through the International Bank for Reconstruction and Development and the International monetary fund. We do not yet know how to make full use of the gold reserves we have on hand, either in the furtherance of our domestic economy or the enlargement of our international exchange upon a sound and fundamental loan basis, and without having first solved the problems attendant upon the Export and import goods themselves.

Distributive System Out of Line With Productive Capacity

Not all of the solution for our use of the output of our productive machinery lies in the exploitation of foreign markets, important though they may be both to us and to those countries whose wants in the wake of war are many.

We must concern ourselves with the realization that our distributive system has not kept pace with our productive ability. Part of the end-use of our productivity must find expression in higher standards of living and a better distribtuion within the domestic economy of goods and services.

This is not a government problem. In an atmosphere of stability, private enterprise must concern itself with the development of more efficient production and with the passing on to consumers the gains of productivity so that a better distribution may be achieved and a sufficient demand created to meet our productive supply as population increases and the standards of living are raised.

This approach involves social as well as economic factors, and it is not within our purview here to spell out the process. It is important that we recognize that a balance of many elements, both economical and social, are essential to keep in high gear our productive capacities.

The consideration of a stable economy leads inevitably to a determination of those factors which might upset the high levels of production and income which we now enjoy. Admittedly, what we would like to assure is continuation on a sound basis of the economic levels that have been achieved since the war's end with assurance against collapse or disastrous fluctuations, and with a reasonable hope that our economy will expand with population and rising standards of living.

The approach has been to review the factors which led to the last era of depression in the early 30s. Voluminous opinions have been expressed in many volumes. I suppose that there is not any other single economic period that has had a more divergent analysis. No real answer for the collapse of our economy in 1929 has been generally accepted.

We appreciate the play of the economic forces brought about by the accelerated rate of technological processes developed in the 20s and the profound adjustments necessary in this country and other countries after the first war. We are aware of the factors of over-extension of credit, both at public and private levels, and the investment of large sums in the stock market and real estate equities rather than the return of investment capital to the expansion of plant facilities. Our failure to deal effectively with all these problems at the time they existed, we now recognize as economic mistakes. Whatever brought about the immediate downturn in 1929, our economy lacked the resiliency to spring back, and collapse was inevitable. Our hope now is to avoid any of the economic errors or policies of rigidity which made possible that depression, and at the same time avoid an encompassing, planned economy.

I cannot avoid the fear that some of the danger in our current thinking lies in the belief that there are certain strategic factors, the control of which might avoid economic recession.

Primary Importance of Money Management

There is, for example, an area of thinking that would emphasize as of primary importance the management of our monetary system, the huge public debt and national fiscal policies. There is another group who believes that the volume and development of private investment is the key factor in a stable economic system. There are even those who believe that the government should be vested with broad and permanent powers that will enable it through the use of tax funds to bolster up any element of our economy which tends to sag. There are others whose views on single economic components are equally emphatic as to their strategic role in our complicated economic system.

I do not believe that the complex amalgamation of all of the factors brought to play in a social and economic system such as ours is susceptible of individual analysis or appraisement to the point that we are able to decide which factor may represent the keystone.

Rather, I think we are faced with the necessity of becoming a much better educated people in the whole field of economy than ever before, and that more of us must assume a willingness to take a broad look at the whole economic atmosphere in which we live and in which the segments of our industry operates. At the same time, we must develop some concern for policies which determine a sound and healthy economic atmosphere which really means that we must create attitudes of unselfishness, which are not solely concerned with our individual or corporate earnings.

There is, I think, in this type of planning a role for the government to play. Certainly for a long time in the future we are going to have with us the national debt. All of us who agree that it should be paid, must acknowledge that even payments which could be made at our present high levels would be so small that debt retirement is many years hence. The management of that debt is a matter of concern to us all, and the government is charged with so managing it and with the adoption of such fiscal policies as will create a sound and healthy economic quality within which free enterprise can operate.

It may well be that under certain circumstances the government may be called upon to relieve the impact of certain economic pressures, but such relief should be temporary in character and of such a nature that would tend to induce corrective measures that would ultimately make the relief unnecessary.

As for example, we generally recognize that agricultural support of prices is an unhealthy way to bolster farm income. Farm support prices could not, however, be suddenly and completely withdrawn without imposing a serious economic burden on a large portion of the people. We should, however, in order to be sound, induce such changes in agriculture as will bring about a sound agricultural productive condition and thus eliminate the necessity of price supports.

The Labor-Management Problem

In labor-management negotiations the whole picture of national economic stability may well be affected by the negotiations of labor contracts or a work stoppage. There is no way of making up the loss in output in a basic industry in which there is a prolonged strike. Even the negotiation of wage contracts affect not only the distribution of income between the parties to the contract, but the amount of income distributed and the flow of expenditures throughout the national economy. In such instances it becomes a function of government to determine that single wage arguments do not unreasonably interfere with the operations of other segments of industry so as to have a serious national consequence. It does not mean, however, that the government should be allowed to become the champion of either management or labor, but should confine its activities to the adjustment of those disputes which might produce immediate and serious fluctuations in our economic structure.

At the conclusion of the last war when many people expected a collapse of our economy, when the government decreased its annual spending from about $100 billion per year to $40 billion, and where there were many uncertainties in the marketing of government security holdings, the government assumed the role of supporting the price of government securities.

Opposed Bond Price Support Policy

As, however, we have moved away from the postwar adjustment era, and as markets became settled and holdings more firmly placed, it is seriously doubtful that the government's price support for its own securities was justified except in the maintenance of an orderly market which concerns itself with the avoidance of steep fluctuations rather than with the maintenance of bonds at par.

So long as the market is supported at par, it is evident that there is little central control of certain elements of the monetary system which might become important in the event of a wide economic fluctuation. It might also be that while the government is supporting its security market at par, it is creating an inflationary atmosphere which will cause the bondholders ultimately to secure less in goods for the exchange of their securities at maturity than they might have secured if the securities had been allowed to seek their own level and fitted into an orderly market.

Any stability which we achieve must take into consideration the co-operative efforts of business, labor, industry, agriculture, bankers, consumers, the government and the psychology of individual decisions. All of these elements are not susceptible to management unless we completely surrender the way of life to which we are accustomed. I am not willing to submit to that sort of economic planning. I believe that the government should not assume a paternalistic attitude toward the establishment of stability either in economic or social orders.

We who make up the segments of our American life, must learn the lesson of cooperative living, analytical thinking, and concern for our system of economics and society, as well as concern for ourselves.

All of the varied activities which characterize our productive system at any one time must be brought into and kept in balance if economic stability is to be achieved. No one group can undertake a level of activities calculated to make disproportionate its share of benefit from our economic system and prevent the sort of instability we are seeking to avoid.

Labor Union Monopolies

Labor unions cannot be allowed to maintain monopolistic practices or to seek uneconomically high wages. Nor can corporations seek to secure unduly high profits or hoard them from investment in expanded and more effective productive machinery. No segment of the economy can excuse itself on inefficiency or inaptitude by appealing to the government for support and constancy of its income. The taxpayers of America cannot support one segment of industry to the detriment of another over a long period of time.

Ultimately, we must be content to be a part of a delicately balanced system of free enterprise with a full appreciation of the rights and obligations of others if we achieve a relative economic stability that will secure as much as possible the gains of the past few years and give encouragement to the maintenance of current high levels of employment and production.

You may well ask why any point on the factors affecting our economic system is being made at this meeting of bankers. While there may be differences of opinion as to the weight to be given certain factors, or differences of opinion as to the approach that should be taken in achieving any results, it would seem certain that I am speaking today to a group who would have no difference of opinion as to the desirability of a stable economic system.

I think you have a definite part of tremendous importance in the achievement of whatever stability we are able to secure, and in its maintenance. I doubt seriously that all of you have a full appreciation for the role of economic leadership which is potentially yours in your own community. There is a feeling that banks were used as the "whipping boy" in the last depression and that they might well receive an unjust part of the blame if we should experience another disastrous fluctuation in our system. This feeling has made a great many bankers retiring in their nature so far as

the assumption of leadership in their communities is concerned.

I think you enjoy a much higher place in the opinions of the average citizen than you know. I think the average businessman would welcome to a much larger extent your counsel and advice. That small group of people who make up the real thinkers of our country would welcome the influence that you might have in helping to bring in balance some of the economic factors of our time.

I think it is important in your own interest that you become highly educated in the economic thinking of our time with an analytical conception of the theories and philosophies which have preceded us.

No two business cycles are ever alike, but it is unthinkable that from each of our national experiences we should not collectively gain some lesson in the free enterprise management of our future.

In each of your communities there is a different complex and atmosphere which must be determined with a consciousness of how it fits into the balance of our whole national activity. Because you know those local problems better than anyone else, you may well have a significant place in the pattern of a stable economy.

I believe it behooves you to become counsellors, advisers, and teachers, as well as traditional bankers. This you can do efficiently and wisely only if first you develop your own clear conceptions of our economic problems and the solutions which we collectively want to achieve.

Some banking institutions have already begun the development of efforts to make more efficient our agricultural operations, and these, if wisely developed, may well lead to the solution of the problem of placing agriculture into a balanced position in our system without government support. There could be no finer objective.

There is a role for every bank, either in agriculture, in the problems of small business management, in the exploitation of our distributive system, in the creation of sound relationship between labor and management, and in a multitude of other factors which make up our complex economic picture.

I have confidence that the banking fraternity of my state will be responsive to the great challenge of our time which requires the sound constructive thinking of us all if economic stability at high levels is to be a reality rather than a theoretic hope.

La Salle Street Women Elect New Officers

CHICAGO, Ill.—At the annual meeting of La Salle Street Women held Thursday evening, May 11, at The Cordon, the following officers were elected for the fiscal year 1950-51:

President: Edith E. Jiencke, Gofen & Glossberg.

Vice-President: Eleanor B. Karcher, Channer Securities Company.

Record Secretary: Carolyn Ladd, Estate of Donald R. McLennan.

Corresponding Secretary: Doris Nagel, Carl McGlone & Co.

Treasurer: Alphazene Brown, Detmer & Co.

Philip H. Morton Joins Schirmer, Atherton Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — Philip H. Morton is now with Schirmer, Atherton & Co., 50 Congress St., members of the New York and Boston Stock Exchanges. Mr. Morton was formerly with Gordon B. Hanlon & Co. and C. S. Jeffrey Co. Prior thereto he was Manager of the Boston office of Ira Haupt & Co.

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The Security I Like Best

ence to Colonial whether the cash paid for its wares comes from income and wages, pensions, unemployment compensation, relief, or plain old "boon-doggling."

In passing, I might say, that those who are interested in the completeness and detail of the annual reports of corporations, might do well to take a look at the published report of Colonial Stores, Inc. for 1949.

BENJAMIN H. ROTH

Senior Partner, B. H. Roth & Co., N. Y. C. Members, N. Y. Stock Exchange

(General Realty & Utilities Corp.)

When considering the purchase of common stock these days my first concern is how much risk is involved. Therefore, when I see a sound stock selling below ten, there is a definite urge to look into it because at that price it has the advantage of multiplicity of shares for a small investment and large capital gains if undervalued.

General Realty and Utilities Corp. is the stock I refer to.

There are approximately 1,526,000 common shares outstanding, listed on the New York Stock Exchange.

Debt consists of $20,155,630 of mortgages on real estate owned, but the company is not liable on these mortgages. $6,636,400 4% cumulative income debentures, due September, 1969, are outstanding.

The principal buildings are:

19 Rector Street, N. Y.
20 West Street, N. Y.
285 Madison Avenue, N. Y.
444 Madison Avenue, N. Y.
75 Federal Street, Boston, Mass.
The Packard Building, Philadelphia, Pa.

All are office buildings of the better type and well located.

These and other properties are listed in the balance sheet at $29,211,383 (appraised values as of March 31, 1944 plus subsequent acquisitions at cost).

The rents collected are in excess of $7,500,000.

You will note that all of the real estate is carried at less than four times the gross rent—I think a figure of between five or six times the rent would be more realistic. That would give a value of between $37,500,000 and $45,000,000 for assets valued at approximately $29,000,000, a difference of $10 to $15 million more than stated in the balance sheet.

In addition to this under-valuation the balance sheet contains another asset—Downtown Athletic Club property—at one dollar. This asset was recently liquidated, the company receiving a sum in excess of $900,000.

The current position of the company is excellent. Current assets as of Sept. 30, 1949 showed approximately $7,100,000 against liabilities of about $1,100,000, or seven to one, not taking into consideration the asset of over $900,000 stated at one dollar and now collected.

The earnings last year were at the rate of approximately 80¢ per share plus non-recurring earnings of approximately 30¢ per share.

Since the annual statement was issued, General Realty & Utilities has acquired the Palm Olive Building in Chicago for about $5,350,000 and taken a mortgage of $4,000,000 so they have invested $1,350,000. The gross rent of this building has been stated as being $1,200,000. Therefore, the company should net approximately $300,000 a year.

Therefore, it would follow that the earnings for this year, after giving effect to this should be about $1 per share plus non-recurring earnings of around 50¢ per share additional resulting mainly from the payment by Downtown Athletic Club.

You must bear in mind that these earnings are after depreciation of $792,652, and alterations, improvement and repair items of almost $400,000.

Dividend of 20¢ semi-annually or at the rate of 40¢ per year was paid last year.

The balance sheet states a capital and surplus of $7,806,302.36 and if assets are taken at an actual value it should be from $18 to $24.8 million or from $12 to $16 per share of asset value for stock that is currently selling at 7¼.

H. STUART VALENTINE, JR.

Manager, Investment Securities Department, Butcher & Sherrerd, Philadelphia, Pa.

(Camden Fire Insurance Association)

I have always shied away from trying to select one security "I like best" because most security (or risk) buyers have a portfolio problem that should receive (and often does not) first consideration. At the moment, however, there is a type of security that appears attractive for the small or large investor. By nature it is suitable for the person primarily interested in income or long-term appreciation or both. I refer to the capital stock of a well-managed fire or casualty insurance organization. Such a vehicle combines the following important attributes:

H. S. Valentine, Jr.

(a) Good management.

(b) Diversification of investments (in the broadest sense).

(c) Conservative capital structure.

(d) Strong financial position.

(e) Relative immunity to business recessions.

(f) Assurance of long-term growth (for a special reason).

Other unique qualities are the lack of an inventory problem, freedom from technological obsolescence, and competition in the ordinary sense and the absence of labor problems. While Federal regulation threatens from time to time to be a factor as it is with other corporations, state regulation will probably prevail.

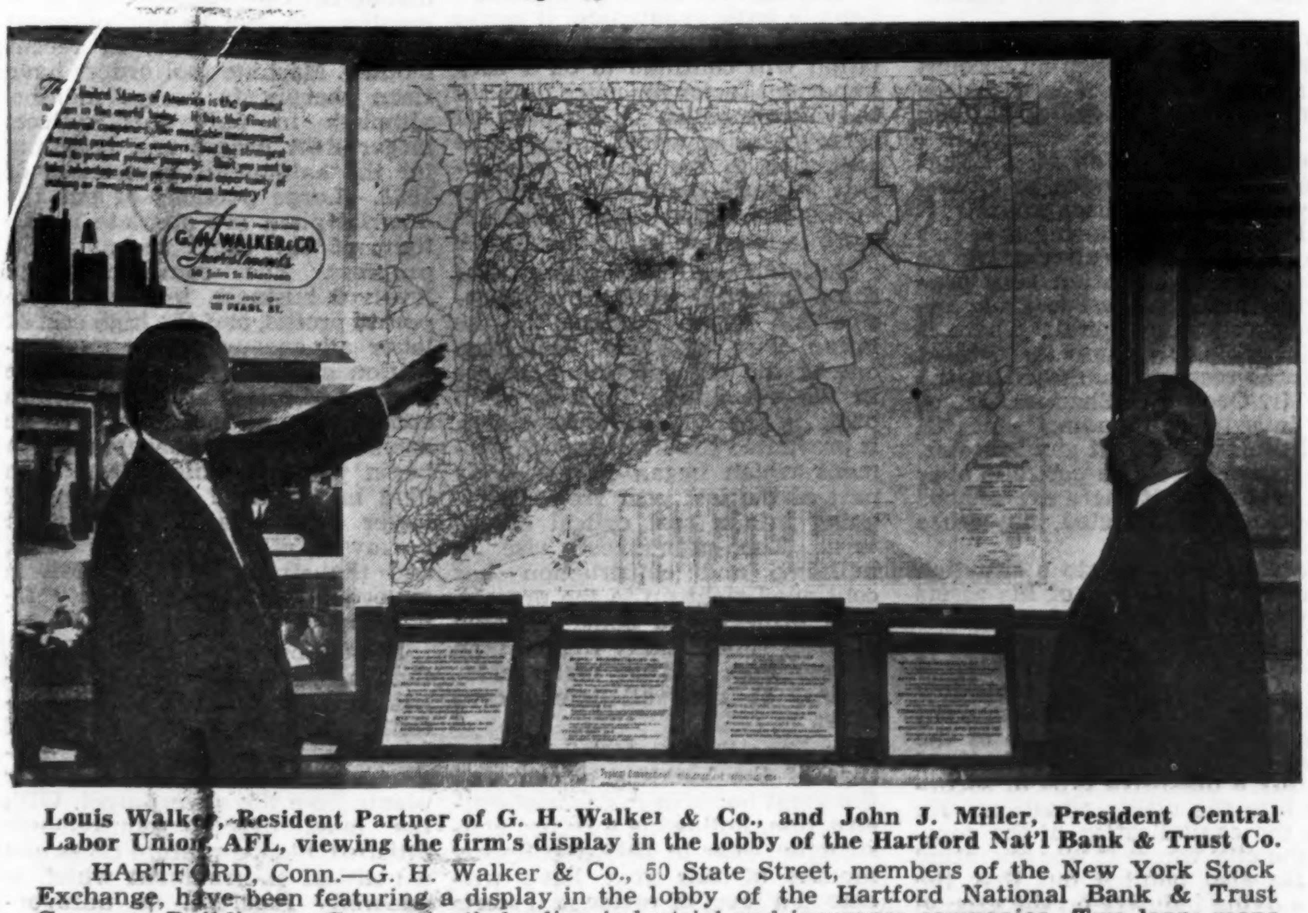
Summarized, an insurance stock offers one a regular and reasonable return with a high degree of safety and at the same time almost assured growth. The latter derives from the compound interest rate factor. Dividends are paid solely out of investment income in most cases. Year after year a well-managed insurance company plows back into surplus a good part of such income not paid out in dividends. Additionally, earnings from underwritings, which over a period generally average around 5% on earned premiums, are all added to surplus. These surplus earnings are invested in bonds at interest or in dividend-paying stocks with a compounding effect. The result is earnings on earnings.

My particular selection at the moment is The Camden Fire Insurance Association capital stock because it is reasonably priced by accepted standards and gives a better return than most similar stocks. This is partly because it is not as well known as the stocks of many large fleet organizations. Camden Fire stock is currently selling around 23 to yield 5%, based on the present $1.15 dividend ($1.00 regular and $0.15 extra). Combined earnings last year before income taxes equalled $5.40 per share; $3.82 from underwriting and $1.58 from investments. After income taxes combined earnings equalled $3.94. The plowback amounted to $2.79 per share or 12% of the current market value. At the 1949 year-end liquidating value was $31.50 per share or 130% of the current market value. In the last 10 years liquidating value has increased over 46%, earnings per share 248% before taxes and 154% after taxes, and premium volume has more than doubled.

Incorporated in New Jersey in 1841 as a mutual company and changed to a stock company in 1870, Camden fire has paid dividends continuously in each year since 1873. Both as to premium income and assets, Camden Fire is the largest domestic fire insurance company writing a general line of insurance and which has neither any affiliate nor is itself a member of a fleet. The management of the association is regarded as conservative and capable. The association has no funded debt and only one class of stock, namely, 500,000 shares of $5 par capital stock.

As of Dec. 31, 1949, bondholdings at convention values represented 43.3% of total assets; preferred and common stocks 38.3%; cash 8.9%; real estate, mortgages, agents' balances and other assets 9.5%. This position appears conservative and yet should afford an opportunity for appreciation under continued favorable business conditions. In the writer's view, Camden Fire Insurance Association capital stock is suitable for all types of investors. It enjoys an active over-the-counter market and also has unlisted trading privileges on the New York Curb Exchange.

G. H. Walker Display on Connecticut Industries



Louis Walker, Resident Partner of G. H. Walker & Co., and John J. Miller, President Central Labor Union, AFL, viewing the firm's display in the lobby of the Hartford Nat'l Bank & Trust Co.

HARTFORD, Conn.—G. H. Walker & Co., 50 State Street, members of the New York Stock Exchange, have been featuring a display in the lobby of the Hartford National Bank & Trust Company Building on Connecticut's leading industrial and insurance companies. Two large maps were displayed, one showing location of various companies throughout the United States, securities of which are held by Connecticut investors, the other indicating the location of the Connecticut companies.

Join Waddell & Reed

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Welcome F. Abbott and Kenneth W. Chambers have become associated with Waddell & Reed, Inc., 408 Olive Street. In the past he was with Herrick, Waddell & Co. in Kansas City and St. Louis.

Joins Wagenseller-Durst

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Sherman F. Wagenseller has become affiliated with Wagenseller & Durst, Inc., 626 South Spring Street, members of the Los Angeles Stock Exchange.

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Business Is Good, but Problems Lie Ahead!

action of the government. From an analysis of the prospects in these areas it may be possible to formulate some idea as to the trends operating in the economy and as to the likely future course of business activity.

The Effects of International Developments

It is apparent that developments in the international sphere may decisively influence the entire business outlook. Unfortunately, however world political trends are extremely difficult to appraise. Even in high government circles there appear to be differences of opinion as to the seriousness of the present situation, as to the outlook, and as to the policies that should be followed.

One possibility is that the international situation may improve perceptibly. If peace should come suddenly, it might give rise to reconversion problems for certain industries and localities which could lead to a temporary decline in the aggregate level of business activity. Over a period of time, of course, the establishment of real peace in the world would make possible substantial tax reductions which could provide a major stimulus to the economy. However, if international tensions should ease and defense spending be curtailed sharply, the immediate effect might be to stimulate some of the downward forces in the economy.

Another possibility is that world conditions may deteriorate much further. A real worsening in our international relations would mean an increase in the defense budget measured in terms of billions rather than hundreds of millions of dollars. Indeed, should a further darkening of the international scene enhance the prospects of a war economy or raise the spectre of warfare in an atomic age, the effects on the economy would be far greater than the immediate and direct impact of a rise in defense spending. The memories of World War II are fresh in mind and the prospective horrors of World War III have been widely publicized. Confronted with a widespread war scare, businessmen would doubtless broaden and accelerate their programs of plant expansion and modernization. Inventory accumulation by business would then proceed apace. If the threat of atomic attack should require the relocation of industries, government, or population, the construction boom would be prolonged indefinitely. Consumers also would probably decide to build up their stocks of an endless variety of goods from automobiles and refrigerators to shirts and nylon stockings.

In our efforts to appraise the international outlook we are dealing with unknowns: the course of our international relations, the policy of the government in releasing information, and the reaction of businessmen and the public to developments on the world scene. Having no basis for a contrary view, the present discussion is based on a middle-of-the-road assumption, namely, that for the predictable future defense outlays will rise, but that the rate of increase will be relatively small, and will not be so rapid as to keep the productive system under continuous pressure. On this assumption, defense spending would provide some support against a downturn in business activity, but would not be a guarantee against lower production and employment. Therefore, in appraising the business outlook, it becomes necessary to turn to a few of the major economic factors which are responsible for our current high level of activity.

Economic Factors in the Business Outlook

An analysis of the main economic forces indicates in brief, that some of the economic forces responsible for the present high levels of business activity may lose part of their strength in the not too distant future. Inventory accumulation may persist in some lines, but in other lines inventories are already adequate. The deferred demands for the products of heavy industry, at present prices, are likely to be whittled down by the peak production rates in prospect. Another consideration is that the present high production levels are being supported by a sharply rising private debt which cannot continue to grow indefinitely at this pace. Admittedly, however, the timing of economic events is very difficult.

Inventory Policy—In the short-run fluctuations of business, inventory policies play a very important role. Indeed, it was the liquidation of inventories that was largely responsible for the declines in industrial production in the early months of last year. Currently, we are in an inventory-building phase in the economy as a whole. This has provided part of the impetus for industrial production in recent months.

The major shortages of inventories at present appear to be in the durable goods. This is due in part to the strikes which reduced supplies of steel and metals products in the face of a very active demand. In the case of nondurable goods in general, inventories in physical terms are perhaps back at the peak levels of late 1948. For example, some price weakness has developed in textiles and apparel, and production in the months ahead is not likely to average around the high levels of the recent past.

Barring further large interruptions to basic production, it seems doubtful that inventory accumulation will continue to be a very important factor for more than six to twelve months. A levelling off of inventories would mean some reduction in the rate of production in basic industry, unless demands for fabricated products were to increase in the meantime.

Building and Construction—The sharp upturn in building and construction which occurred in the latter part of 1949 has been one of the big sustaining factors in the economy. Together with peak production of automobiles, it prevented the inventory adjustment which began in the early part of the last year from developing into a real cylical downturn. The pronounced rise in building and construction has continued right up to the present. New projects are being initiated at rates substantially higher than a year ago, and in many categories, at new all-time record rates.

Perhaps the most striking feature of the building situation is the great boom in residential construction. Following a record construction year in 1949, the Spring months of this year have witnessed a level of residential starts about 50% higher than in the comparable months of last year. More residential units were started in March and April than in any other two months in our history, and the peak of the residential building season still lies ahead. Not only have builders concentrated upon building houses for the mass market, but through the action of the government, financing has been made available on terms of unparalleled liberality. Never before has it been possible for so many people to buy houses with no or nominal down payments, and with such low interest rates and such long amortization periods. The liberal purchase and financing terms are a new element in the market for housing.

The strength of the housing boom confounds even the housing authorities. Nevertheless, it would appear that the residential building boom is near its peak and that we should anticipate a decline from current levels. It is evident that the housing shortage has eased considerably. The rate of family formation has dropped substantially from its postwar high and will decline still further in the years ahead, reflecting the low level of births a generation ago. Although vacancies are still abnormally low and the birth rate remains high, the immediate and urgent need for housing has slackened significantly. The pressure of doubled-up families has been greatly reduced. It seems doubtful that much more stimulus will be given to the housing market by further liberalization of financing terms. Over the next few years residential building can be maintained at current extremely high levels only if a large replacement market can be developed. In the past we have not been able to develop a replacement market of any consequence.

Business Plant and Equipment—Spending by business on plant and equipment has been in a declining trend since 1940. The most recent government survey of spending intentions suggests that this trend will continue throughout the year, and that such outlays in 1950 will be about 11% below 1949 and 17% below 1948.

Some observers are not too impressed by these surveys. They believe that business spending on plant and equipment will hold stable, and may even turn upward. There are some indications that the decline may have levelled off; the outlays in the second half will be somewhat higher than was anticipated some months ago due to improvement in business sentiment in recent months. Machine tool orders have risen sharply in recent months, although in part this reflects larger ECA orders and retooling for the automobile production of 1951. Large portions of our industrial plant are obsolete in the light of our rapid technological progress. The continued high level of business, improved corporate profits, and the high cost of labor all encourage the modernization of industrial plants. The firming of prices and increases in construction costs may cause some business managements to begin projects which have been held in abeyance in the hope of lower costs. Also, funds can be borrowed at low interest rates, and the strong stock market is expected to stimulate equity financing.

It must be recognized, however, that the earlier shortage of industrial capacity has been substantially reduced as the result of large postwar expansion programs and the acquisition of war plants from the government. With the most urgent requirements satisfied, high corporate taxes and a political environment which is generally regarded as unfavorable for business expansion may become more significant as obstacles to continued business investment. On balance, it appears that capital outlays by business, particularly for new equipment, have in recent years been abnormally high compared with the rest of the economy. Unless widespread war or inflation scares should develop, over a period of several years, a levelling off or some further decline in plant and equipment spending seems more probable than a return to the extremely high rates of the recent past.

Automobiles — Passenger car production made a new record in 1949 and the rate for the first half of 1950 will be even better unless strikes interfere. We are entering the peak selling season with the market displaying widespread strength. It may well be that output this year will establish another record.

However, even the experts on the automobile industry are careful in stating their views as to the prospects beyond the next few months. By the middle of this year, the number of automobiles in service may be about in line with prewar relationships to population and the level of income. But it is not evident how the redistribution of income in the country since the prewar years has affected the saturation point for automobiles and the market for new cars. Nor is it clear how many of the cars that are now over-age by prewar standards will remain in service. Finally, technological improvements may induce owners of postwar cars to acquire newer models, and the introduction of cheaper models by several makers may help expand the market. On balance, however, it seems doubtful that automobile production can be maintained for long at the rates anticipated, in the absence of strikes, during the next few months. A decline from these peak rates of production will ease the supply situation and the production schedules in a wide variety of basic materials.

Consumer Spending — In the postwar years, consumer income and spending have been increased by temporary factors such as payments of veterans' bonuses and the dividend on the National Service Life Insurance. In addition, consumer buying power has been inflated by a persistent rise in personal indebtedness, especially consumer debt and mortgage debt. Consumer instalment debt has been rising at the rate of better than $2 billion a year for the past three years and is now around $11 billion, almost twice its prewar peak. At the same time, residential mortgage debt has grown from about $18 billion before the war to around $38 billion today.

Consumers have been able to carry this large debt lead chiefly because of the great rise in personal incomes since prewar days. From this point of view, total indebtedness does not yet appear alarming. Furthermore, the burden of mortgage debt has been held down by lower interest rates and longer amortization periods. However, the amount of personal indebtedness per dollar of personal income after taxes has been mounting very rapidly and will reach or exceed the prewar ratio in the near future if present trends continue.

It would be a mistake to ignore the involved problems and disturbing trends in this area of the economy. There appears to be some loosening of credit terms. This may help to augment consumer buying power for a time. Yet these personal debts cannot keep increasing at recent rates year after year. Eventually, this debt will stop rising. When it does, an important prop will be

Securities Salesman's Corner

By JOHN DUTTON

Portfolio analysis and rearrangement often offers the best means of obtaining all of a client's business. Experience seems to point to the fact that if you finally achieve the objective of causing your investor-prospect to see the "over-all" balance between his cash, real estate, insurance, savings accounts, and his stocks and bonds, that you will eventually take over the account and control it. As long as your customer is only buying a stock from you now and then, you can be pretty sure that sooner or later he will buy from someone else, or is already doing so. He is more likely to shop around for a better price if you are dealing as a principal, and only selling him occasionally because it follows that he will discuss his purchases and sales with others more readily under these circumstances.

That is why it is worthwhile to spend time on selling "investment programs," even though the quickest way to open an account is usually by selling an individual security. Often it is advisable to sell a well-known, or local item, just to open the door, then begin to sell a "program."

Selling a "program" consists solely of selling an idea. That idea is either capital protection, income, or capital gains, or a combination thereof. This means that you must have background. It also requires that you are able to hold attention during a rather prolonged interview. Night calls by appointment (after a sale or two has been made on individual securities) are often very productive. Some of the things you will find of interest to every investor are hints and suggestions for preserving capital. There is so much to talk about that it is impossible to go into the subject here, but if you have read the lectures recently published in the "Chronicle," which were given by Mr. George F. Shaskan, Jr., of Shaskan & Co., New York City, on "Investment Planning" you will have enough to talk about which will interest almost any investor. The two reasons that an investor will turn his entire portfolio over to you, or anyone else are: (1) He realizes that there are serious weaknesses in his present setup which, unless corrected, may cause him losses; (2) He has confidence in you.

Recently a salesman of my acquaintance ran into a situation where his prospect thought he had invested enough of his assets in stocks that were of a defensive nature (in case of a general decline in business and the market). He owned three snuff stocks with long unbroken dividend records; he also owned several utilities which he thought were very stable because of their low ratio of debt to preferred and common stocks. This salesman went over the whole list and he investigated the market action of the snuff stocks during the market break of 1946. They had declined about 40% during that period. Hardly a defensive type of security on that basis. Then he looked into the utility situation. He showed the prospect that, although the capitalization of the company in question was conservative, the city where it was operating was notoriously bad politically. He also pointed out that the snuff industry was (in his opinion) a dying industry on the ground that new generations are not taking up the snuff habit. By backing up his suggestions with facts, he brought in a $55,000 account, and he made a sale of $27,000 worth of mutual fund shares.

removed from consumer spending and from business activity.

Government Action and Economic Prospects

A factor that may have an important effect on the course of business activity still remains to be considered: action by the Federal Government. The government in recent years has eagerly assumed increasing responsibility for stabilizing the domestic economy. A down turn in business will mean proposals for additional government action in the economic sphere. However, in spite of the firm resolution of government officials to prevent an economic decline and their willingness to spend large sums to this end, it still appears doubtful that such measures can be fully effective in stabilizing the economy at peak rates of activity.

Budget Outlook—One indication of the likely effect of government policy on business activity is provided by the budget outlook. In broad perspective the budget situation is a cause for real concern. Our unwillingness to balance the budget under today's extremely favorable economic conditions raises the prospect of a chronic budget deficit, with all its serious implications for the country's financial stability. If business should deteriorate, even larger Treasury deficits are inevitable. Spending would be increased at the time when tax receipts were declining.

This longer term budget outlook, however, is not too important in appraising the more immediate prospects for business. In the short run, the size of the current deficit appears to be more significant for the business picture than the soundness of the fiscal situation as a whole. Both the rate of cash spending and the cash deficit of the Treasury have reached a peak in the current quarter. Even if Congress should appropriate as large a total as recommended by the President in his Budget Message, neither the rate of cash spending nor the cash defict is likely to rise above current levels for the next 12 months.

The record of Treasury deficits in the midst of prosperity and the prospects of continued deficits for several years to come may have a corrosive effect on public confidence in the value of the dollar. The prospect of rising prices may stimulate the demands for housing, business plant and equipment, and other products of heavy industry, and may help to prolong the heavy goods boom. However, if this inflationary psychology should not develop and if declines should occur in important sectors of the economy, they are not likely to be offset by a rise in government outlays.

Effectiveness of Government Policies—How effectively Government can cope with a business downturn of any consequence is an open question. In the '30s, efforts to pull the economy from the depths of a serious depression did not meet with any great success. However, a repetition of those conditions does not appear in prospect in the foreseeable future. In the recent postwar years, the underlying conditions have been so generally favorable to a satisfactory level of business as to prevent any real test of government action.

In any event, the ability of government to cope with short-term fluctuations in business is severely limited by the difficulties of economic analysis and forecasting, the time required to formulate, enact, and implement a program, the uncertainty as to the results of certain government policies on the economy, and the lags between action and effect. It would be a serious mistake to assume, on the basis of the postwar experience, that the business cycle has been conquered.

The Outlook for Banking

Banking policies and practices must be adapted to the changing economic climate and prospects. Bank management can hardly avoid having some point of view regarding the outlook for commodity prices, for interest rates, and for bank loans and investments. Brief comments on each of these appear to be in order.

Prices and Property Values—At the peak of the postwar price inflation in the third quarter of 1948 the Bureau of Labor Statistics index of wholesale commodity prices was more than twice its average of the prewar years. Since then, the aggregate index has declined about 9%. Prices of farm products, foods, nonferrous metals, textiles and apparel, and some basic materials have declined more than this, but for many manufactured goods, especially metals products, prices are at or near their postwar highs. In recent weeks commodity prices have increased somewhat, with some raw materials, such as rubber and nonferrous metals, showing persistent upward movements. This has been interpreted by some as indicating a resurgence of inflationary pressures.

It is difficult to generalize about the outlook for prices. In the case of agricultural commodities, government price support activities have limited the declines and forestalled severe corrections of the type that developed after the end of World War I. No major change in the price support programs or in the levels of support prices for basic commodities is in prospect for this year. For next year's crops of basic commodities, however, unless the law is changed, the possibility of a reduction in support prices should not be ignored, assuming that crops this year measure up to normal expectations. Also, the present price support program has many deficiencies, political as well as economic. In general, the changes that are being discussed would permit lower market prices for agricultural commodities.

Underlying the general price outlook is the budget situation of the Federal Government. The recurrence of a Treasury deficit contributed to the renewed discussion of inflation even before the recent strength in commodity prices. A budget deficit of the present magnitude for a year or two, or even longer, is not likely to produce violent price inflation in an economy of our size. In long-term perspective, however, the government's political and social welfare policies consistently display an inflationary bias.

At least a portion of the Treasury deficits will be financed through the banking system, thus adding to the money supply. Stockpiling provides an opportunity to support prices of some basic materials. Easy money policies and loan guarantee operations are designed to prevent any substantial contraction of credit in the economy. Perhaps most important of all is the power of key labor unions continually to force concessions from management at a rate faster than the gains in productivity. Over a long period of years, the productivity of American industry is estimated to have risen by 2% to 3% a year. There is little indication of willingness on the part of labor union leaders to limit their demands to anything within this range. This means a rising level of industrial labor costs. In all, the effort of the government is directed toward preventing, forestalling, or cushioning price corrections. Even spared another war, therefore, we face the very real prospect of a cheaper dollar a generation hence.

This inflationary bias does not mean, however, that commodity prices will rise every year. In fact, with many prices still around their postwar peaks, the commodity price structure might well undergo some downward adjustment should business activity slacken perceptibly. Demand and supply conditions will still remain of major importance in determining the price movements of individual commodities. In recent months, prices of some soft goods have been weak despite the firmness or increases in prices of some basic materials and of the products of heavy industry. Production facilities are increasing in capacity and in efficiency, and this will operate in the direction of restraining price advances while facilitating price reductions.

Lending officers should not become so entranced by the long-term inflationary prospects as to ignore the real credit risks inherent in short-run price trends and in price fluctuations of individual commodities irrespective of the general trend. Judgment of specific market forces will remain a prerequisite for prudent credit policy. The experienced banker will not place too much reliance on the belief that a persistent and continued rise in the aggregate level of commodity prices will build up equities and provide adequate safeguards against easy going lending policies on real estate.

Interest Rates—Interest rates in the money markets are likely to continue at relatively low levels as far ahead as can be seen today. Over the next year or two the supply of investment funds is not likely to decline relative to the available outlets for savings. Government policy also is virtually certain to favor a continuation of relatively low interest rates. Ever since we entered World War II, our money markets have been subject to comprehensive control. Throughout the postwar inflation, the monetary authorities held interest rates to a low level. Consequently, the United States today is the most important exponent of a low interest rate policy in the world. In contrast, many other countries, either from necessity or choice, have in recent years experienced a rise in rates.

Among official circles, there is some variation of opinion regarding our interest rate policies, and in the past few months, the different views were aired before a Congressional committee. However, the differences among the Washington authorities are probably not as significant as might appear from a casual reading of the newspaper headlines. There is no desire to embark on a really high interest rate policy or to allow the bond market to get out of hand, and the general pattern of policy is likely to remain fairly constant. Interest rates may be allowed to fluctuate mildly with changes in the business scene, rising somewhat in periods of expanding business and declining in periods of contracting business. However, the changes in interest rates, at least on the upside, are likely to be of modest proportions, and the general level of rates is not likely to rise significantly. If business conditions should deteriorate, there is little doubt that the monetary authorities will strive for lower interest rates, for whatever contribution they can make to business recovery.

Bank Loans—Loans of the commercial banks have increased every year since the end of the war. By the close of last year, total bank loans were about two and one-half times as large as in the prewar years; Tennessee banks experienced an even more rapid rise.

This growth in bank loans has slowed down but is not over. Although the downturn in business activity in 1949 resulted in a substantial decline in commercial loans, this reduction was more than offset by the continued strength in real estate, consumer, and agricultural loans. Furthermore, it is likely that total bank loans will increase more this year than they did in 1949. This relatively favorable outlook, however, should not be permitted to obscure the fundamental problems accumulating in the lending field.

Banks in the larger centers face the problem of maintaining their outstanding loan volume. The current amount of bank loans to business for working capital purposes already reflects a high rate of business activity at price levels that are generally close to the postwar peak. Term loans, which are important to many banks, almost invariably include provision for serial repayments. Large corporate profits and somewhat lower business expenditures for plan and equipment than in recent years, and greater competition on the part of savings institutions, will make lending operations more competitive and will place a premium on the imagination and ingenuity of bankers in devising new but appropriate outlets for their funds.

Outside the major financial centers, loan demand continues active. Regarding real estate and consumer loans, one may conclude that so long as the building, automobile, and appliance booms continue, the commercial banks will share in the growth of mortgage and consumer debt. The longer these booms continue, however, the greater should be the caution. The present would appear to be a good time in which to take another careful look at lending policies and loan portfolios with the objective of raising standards, improving quality, and making adequate provision against possible adversity.

Bank Investments—The prospects are that the volume of bank investments will continue to rise for the predictable future. In the first place, State and local governments will be in need of considerable amounts of funds for several years to finance their programs of public improvements, and the commercial banking system will doubtless continue to acquire their securities at a substantial rate. In the second place, the debt of the Federal Government passed its postwar low in April, 1949 and is likely to rise for some years to come. Much of the Treasury's cash requirements will be met out of sales of special issues to the government trust funds, and through the offering of obligations not eligible for purchase by commercial banks. At the same time, however, the Treasury will rely upon the banks to provide part of the funds, directly or indirectly, and the monetary authorities will make the necessary reserves available to the banking system. A significant increase in Federal debt at a time when business activity and hence bank loans are declining will tend to stabilize bank earning assets, bank deposits, and bank earnings.

Conclusion

May I conclude with a word of caution. The record of business forecasting over the years has not been outstanding. We have more statistics than any other nation on earth; we probably know more about the current state of business than at any other period in our history. But the future course of the economy is not determined by statistical data, but by the decisions of consumers, businessmen, bankers, farmers, labor leaders, and government officials.

Efforts are being made to survey the intentions of businessmen with regard to spending on plant and equipment. Other surveys are directed toward measuring the flow of personal incomes and savings and the spending intentions of consumers. Useful as these surveys are, they are as yet only experimental and their results may prove misleading at the crucial turning points in the business cycle. Furthermore, no survey has been devised that will enable the forecast of month-by-month developments on the international front, or even in the halls of Congress. And these are more important now than ever before.

We are in the midst of a great heavy-industry boom which in part is devoted to making up the shortages of the war and the prewar depression years, and in part reflects the impact of a postwar surge of marriages and births. In addition, our spending for defense and foreign aid is large and is likely to rise. Finally, we have a government which has assumed the difficult task of preventing price corrections or any material decline in business activity. It is likely that this combination of three underlying factors will prevent the development, in the predictable future, of conditions of real depression. It is possible that we may be facing several more years of sustained high level business activity. But this would appear to be a poor time to cast caution to the winds. We owe much to the conservative attitude displayed in the postwar years by business men and bankers. Today, we probably need this caution even more. We face problems enough in the years ahead without compounding our difficulties through an outburst of rash or speculative optimism.

J. M. Galanis With R. L. Day & Co.

R. L. Day & Co., members of the New York and Boston Stock Exchanges, announce that J. M. Galanis has become associated with their New York office, 14 Wall Street as Director of Research. Mr. Galanis, who was graduated from Harvard University in 1929, has had 20 years of uninterrupted experience in security analysis, and for the past eight years has been with the research department of Shields & Co. For the last three years he has been an instructor of security analysis at the New York Institute of Finance. He was President of the New York Society of Security Analysts for 1949-50.

J. M. Galanis

Eberhart Joins Eaton & Howard

BOSTON, Mass.—Eaton & Howard, Incorporated, of Boston and San Francisco, announces that A. Dryden Eberhart of Chicago has become associated with that organization. Mr. Eberhart will represent Eaton & Howard Balanced Fund and Eaton & Howard Stock Fund in several Middle Western States and will make his headquarters in Chicago.

Mr. Eberhart, who lives in Wilmette, Ill., has resided in the Chicago area since graduation from the University of Minnesota in 1925. For the past 21 years he has represented Moody's Investors Service in Chicago and the surrounding territory in which he will now represent Eaton & Howard, Incorporated.

Three With Hornblower Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Fred E. Adams, Jr., Vincent Dimiceli, Jr. and James E. D. Miller have become associated with Hornblower & Weeks, 134 South La Salle Street. Mr. Dimiceli was previously with First Securities Company of Chicago.

Continued from first page

As We See It

fallacy exposed by the spokesmen of business. Therefore, I suggest that you devote an editorial column to filling this educational need."

Of course, the facts of the case are as the Professor states them and they are really unassailable. It may well likewise be true that businessmen in general understand the fallacies of such analogies as are currently drawn. We have not the slightest doubt that the great rank and file of American businessmen well understand the essential nonsense of such reasoning—if it can be termed reasoning.

We are afraid, however, that there are many hundreds of thousands, even millions of others, who are misled, or at the very least confused, by such smooth propaganda. Not only for the sake of the education of these particular students, to whose development we should be proud to contribute, but to help many others who do not have the benefit of guidance by so capable a teacher as our correspondent, we are more than glad to do what we can to state in very simple language what appears to us to be the truth in this matter.

Property Is Owned!

Let us observe, to begin with, that the capital equipment of plant against which business sets up depreciation reserves is owned by the business "depreciating" it. Depreciation, as ordinarily practiced is merely a device for recovering past outlays for articles or goods which are consumed in the process of production. If the owner is to remain in business the funds thus retained as a charge against production must be expended from time to time for capital goods replacing those which are thus depreciated.

Since funds accumulated as depreciation reserves and the like normally provide for replacement of things which time and use reduce in value and ultimately destroy, there is point in the professor's comment about the education and training provided by business through taxation and otherwise for recruits to take the place of the older workers who in the natural course of events pass from the scene. We are certain that the learned professor would be the last to insist upon any very strict analogy even in this instance, since no labor force is owned by any employer. The most of the education and training of which he speaks merely helps to train a pool of qualified workers from which the employer is able to draw in competition with many others.

Other Considerations

There are, however, other considerations bearing upon this situation which are of equal importance. Workers are not machines, mere mechanical devices whose existence and whose life histories are determined by the uncontrolled discretion of the employer. Labor leaders and labor politicians never tire of screaming that labor is not a "commodity." Such a disclaimer is even written into some of the statute law of the land. Most of what the above-cited individuals have to say on the subject is merely *ad hominem* buncombe intended for certain effects. What they seem to imply is that the services of workers are not something which ought to be bought and sold in a competitive market such as that for wheat or beef or steel. This aspect of the subject is a large one and we have no intention of entering into any extended discussion of it at this point, but it is a vital, indisputable fact that human beings are neither inanimate objects—puppets to be danced about on the stage of life by fatherly employers—or domesticated animals to be fathered much as the farmer cares for his livestock.

Poison to the American System

Such a conception of the human being who happens to be a worker; such a conception of the relationship between such a worker and his employer or between a worker and his government, is poison to the kind of economic system which has made this country the envy of the world. The employer is no more to be regarded as responsible for the "depreciation" of a worker than he is for the depreciation upon a piece of rented equipment. The worker himself is the owner of those qualities, those skills, those attributes which he has to sell. If they depreciate over time, then he as owner is the one who should be concerned with setting aside a reserve against such capital consumption.

We are, of course, quite well aware of the trend of current thinking on this subject. We are only too keenly conscious of the socialistic tendency of modern ideas, a type of philosophy which submerges the individual into some sort of collective society which assumes responsibility for the role and the welfare of the individual. Now the trouble with this is that the "society", undertaking to do all these things is nothing more than a congregation of individuals — who can scarcely be expected to develop their capabilities fully without exercise and responsibility. In some other sort of world inhabited by some other sort of beings, it might possibly be well to set up a society in which the individual is responsible only for obedience to authority. In this world, with the human being what he is, only disaster could follow such a course.

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Looking Ahead to 1951

handling his inventories with reasonable caution. I'm convinced that we avoided a much more severe business setback last year only because business inventories were in good condition.

Superabundance of Money and Credit

And while we are on the cheerful side of the subject, we should recognize the fact that there is a superabundance of money and credit and that this condition is likely to continue over the foreseeable future.

We may be critical about the expansion of personal debt, but it cannot be contended that the condition is causing a serious inflation of bank credit. Much of this money represents the activation of some other individual's savings; that is, it is provided out of deposits with savings and loan associations, insurance company investment of premiums, and government bonds going to non-bank investors.

There is no shortage of venture capital. The securities business is succeeding in its efforts to collect millions of small pieces of savings and get them back into the economic stream through the medium of professional investment managers. The number of pension plans is increasing and to the extent that reserves are set up, we have an additional potential demand for investments.

Furthermore, as we go into the early part of 1951, war savings bonds will be maturing at the average rate of $90 million per month. Later in that year, this schedule jumps to $140 million per month and in 1952 the maturity schedule jumps to an average of $330 million a month. Some of the recipients of this money will look upon it as a supplement to current income and will spend it. Others will put it back into government bonds or other investments.

All-in-all, we have to take into our calculations the fact that the money factor is favorable.

Foreign Situation

As if I had not already presented an unfathomable series of conflicting economic forces for your consideration, I have to bring up the matter of the foreign situation. We might be able to muddle through the normal economic factors involved, but we also have to give some consideration to the international political conditions. Apparently, we have undertaken the task of rearming most of the anti-Soviet countries. Thus far, we don't know how much money is involved. After we find that out, the economic effects will depend to a certain extent on whether the money is spent in our economy or abroad. Then too, it will make a difference whether the funds are raised here by taxes or by government deficits; if it turns out to be a larger government deficit, will it be financed through the bank or non-bank sources?

Furthermore, the very degree of war scare has an influence on purchases of materials by the government and by private industry which may try to build up supplies in anticipation of subsequent shortages. But if the scare becomes too acute, we have to consider the prospects of wartime controls, taxes, and the complete disruption of a peace-time economy.

Thus, far, I have tried to bring up the important economic forces that have to be given consideration in our very preliminary survey of the outlook for 1951. I think you will all agree that there is serious conflict between these forces and that there are too many unknowns to permit anything other than very tentative conclusions.

In the first place, I'm afraid that we have started out with a presumption that is admittedly treacherous, namely, that the "cold war" will continue at something like its present pace, perhaps thinking in terms of an additional billion dollars per year for our foreign commitments.

But, even after we make such an insecure presumption, there are still important unknowns that will influence business activity next year. In particular, I have in mind the inventory policies of business for the balance of this year. As I have pointed out, inventory building or inventory deflation has an important bearing on business activity. I don't see how we can forecast whether inventories will be increased excessively in the next seven months or whether they will be held at conservative levels. If they become excessive, then we will have a maladjustment that might have to be corrected next year.

Dangers of Climbing Installment Debt

Another item about which I feel indecisive is the trend of installment debt, which has such a vital influence on the consumers' durable goods industries. It seems to me that this debt is getting up into vulnerable territory but there seems to be no way of determining some maximum figure or some specific date when the trend will change. However, we cannot lose sight of the fact that consumers' durable goods lines are currently receiving excellent stimulation from this source and we must always realize the dynamic effect of the installment debt trend. In the expansion phase, it is the newly created debt that activates savings, creates new demand, which in turn creates new employment, purchasing power and an additional new demand. In the contracting phase, effective purchasing power is reduced by the failure to create the debt, which reduces demand and employment in the durable goods industries, which hurts purchasing power the second time. Obviously then, the trend of installment debt is very important but unfortunately it is difficult to forecast the turning point.

Insofar as the important business capital expediture item now depends more on business confidence than upon urgent needs and, insofar as the confidence factor now seems to hinge so heavily on the current level of sales, we have to avoid dogmatic predictions about capital expenditures because we cannot feel too sure about the prospects for consumers' durable goods sales in the next 12 months.

Uncertain Outlook

By this time, it has probably dawned on you that I don't feel very secure in making a prediction about the condition of business in 1951. The very tentative pattern that I have in mind, completely surrounded by "ifs, ands and buts," — and subject to change without notice — is that the general level of business activity will start receding some time in the last half of this year and will continue that trend well into 1951. The extent and duration of the setback would probably depend rather heavily on the control of business inventories over the balance of this year, and the trend of installment debt—all the while presuming a continuation of the government's stimulation of mortgage debt inflation and not much change in the foreign situation. If you came here expecting that I could prove to you that the outlook was more definite or more favorable, I'm sure you are disappointed.

To my mind, however, my personal opinion about business conditions in 1951 is not at all important. Certainly you should get more value out of this meeting than that. It has been my hope that I might impress you with the importance of stressing to business executives the reasons why sales are good or bad at any given time, because an understanding of these reasons will provide a much better foundation for practical business decisions than the mere fact that current sales happen to be good or bad.

W. J. Price V.-P. of Stone Webster Secs.

Will J. Price

Stone & Webster Securities Corporation, 90 Broad Street, New York City, has announced the election of Will J. Price as a Vice-President of the corporation. Mr. Price became associated with the company in 1928 and was appointed Assistant Vice-President in 1944. He will continue as a member of the buying department in the New York office.

Joins Crowell, Weedon

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—E. Robert Little has become associated with Crowell, Weedon & Co., Bank of America Building. He was formerly with Hope & Co. and Conrad, Bruce & Co.

First Securities Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Edwin A. Stephens has been added to the staff of First Securities Company of Chicago, 134 South La Salle Street.

Continued from first page

Equity Values Today

Economics and Psychology

Common stock prices are governed by two main ingredients: (1) the facts or economics; and (2) what people think (psychology). Facts (earning power, dividend paying ability, balance sheet, etc.) will dominate in the long run but even so the public's appraisal of these earnings, dividends and prospects swings in wide almost unpredictable waves.

Stocks were abnormally low a year ago, in terms of the real value of the properties and in terms of their long-term earning power and dividend paying ability, also in relationship to what one could expect from fixed income securities and with some allowance for the long-term likelihood of a declining purchasing power for money.

As I stated a year ago, equities were low and undervalued because "the country was reaping the rewards, in shattered investment confidence, of years of anti-business propaganda, acts and policies. Confidence in industry, in industrial and financial leadership and in the working of the private enterprise system had not been permitted to return."

The equity market has been rising for almost a year and history shows that nothing increases the public's investment and business confidence like a rising stock market. *However, in my opinion, something much more fundamental is involved in the rise of the last year.*

It hasn't been a rise based largely on rising earnings and business activity, it has been more a reappraisal or a revaluation of previously undervalued securities. This is illustrated by the selected nature of the revaluation and the wide difference in performance of the stocks of favorably situated *vs.* marginal issues.

Speculative Possibilities

More recently, greater public interest in the market has been evident and public speculation in several groups has developed. It must be kept in mind that if the velocity of the market increases and if public speculation carries the market higher, many of the marginal and speculative issues could turn in outstanding market performance at least temporarily.

More important is the fact that several major but more or less new demand factors are present in the equity markets. To the buying of the mutual investment trusts is being added the demands by the expanding pension funds and on July 1 legal trust funds in New York State will be permitted to place up to 35% in certain common and preferred stocks. This trend toward common stock purchases reflects four factors: (1) the starvation wage obtainable from fixed income investments, at least partially the result of government low-interest rate policies; (2) the impressive earnings, dividend and balance sheet showing of common stocks over the last decade; (3) the abundant money supply; and (4) the desire to gain some protection from the shrinking value of the dollar.

In my opinion, the real significance of this type buying has been lost in the popular pastime of estimating its immediate effect on the security markets. *To me the real significance lies in the indication of a change in the attitude toward common stocks as long-term investment concepts. In my opinion, we are returning to a confidence in common stock investment that has been absent for two decades.*

Many common stocks have now moved to a point where they can no longer be considered undervalued in the market, but evidence is lacking that stocks as a whole are seriously overpriced in relation to other forms of investment, if proper allowance is made for the change in the value of the dollar; nor are they particularly overpriced in terms of what I believe their long-term average earning power and dividend paying ability to be. But this does not mean that the price of stocks may not be subject to depressing influence from time to time and that they will fluctuate widely in price.

Stocks Preferable to Fixed Income

My studies show that common stocks with all their well-advertised faults and weaknesses have been a far preferable and safer place for a portion of one's savings or capital over the last decade than cash or the fixed income type investments. To be specific, while the purchasing power valued of fixed income type investments is down some 40% in the last ten years, the market value of common stocks similarly adjusted is off only 20%, with their book values up the exact amount of the inflation and replacement costs up 44% more than the inflation. More significant is the fact that while the income from bonds, mortgages, etc., is down over 50%, adjusted for the depreciation in the value of the dollar, the income from common stocks increased 22% more than enough to offset the inflation.

Therefore, subject to appropriate allowance for the inevitable swings of the business cycle and price level, and the swings in corporate earnings and dividends, I continue to believe that a reasonable amount of good quality common stocks can be held with considerable confidence in their long-term performance and benefits to the holder, notwithstanding the likelihood that prices will fluctuate quite widely in the interim.

Railroad Securities

Central Railroad of New Jersey

After a period of receivership extending from 1939, Central Railroad of New Jersey emerged from reorganization last year without a drastic scaling down in capitalization comparable to those approved by the ICC in a majority of Section 77 proceedings. The company's first mortgage bonds were unaffected with respect to totals remaining outstanding (at $48.7 million) as were leased charges on its valuable Pennsylvania mileage, amounting to $2.3 million annually. However, rate of interest on these bonds was scaled down to 3¼% with 183,547 shares of Class A stock being given to holders of these senior obligations in lieu of the sacrifice of interest.

Prior to reorganization Reading, controlled by both Baltimore & Ohio and New York Central, owned 50% of the then common stock. With the total amount now increased by 183,547 shares of Class A shares given to bondholders, Reading's control (157,840 shares out of 457,931 combined Class A and Class B shares) has been reduced to 34.4%.

Jersey Central's reorganization was unusual in that some $10.7 million of interest arrears were satisfied with non-interest bearing certificates with no maturity date. The reorganization provided that 50% of earnings should be used to retire these certificates with a further proviso that were they not retired within a period of five years, the Class A stockholders would elect the majority of the board.

In January, 1950, Jersey Central received $2.47 million from the Federal Treasury. This represented a tax refund of contested items for the years 1943 and 1944. Of this amount a portion was credited to working capital to increase working funds to $4 million in accordance with reorganization provisions; a portion was allocated to Capital Fund and $690,330 allocated to the purchase of these non-interest certificates. A total of $1,425,020 of these certificates were purchased reducing the total outstanding from $10,739,925 to $9,647,485.

During the reorganization proceedings Jersey Central's management estimated that earnings in a so-called "normal" year would approximate $4 million. Should this estimate be realized the company would have available $2 million annually for the next several years wherewith to retire certificates prior to the expiration of a five year period. The impact of possible company buying of these certificates, currently selling at 45, make these certificates a rather interesting speculation.

Potential purchases, however, are not limited to Jersey Central itself. Both Reading and the Baltimore & Ohio must, of necessity, retain control of the Jersey Central if access to New York is to be maintained over its own or controlled tracks. Even should Jersey Central's earnings, therefore, fail to reach the $2 million level; it is conceivable that in order to avoid control passing to Class A stockholders in each of the next four years, both of the controlling carriers might initiate open market purchases of these certificates. It is true, of course, that both Reading and Baltimore & Ohio could purchase a sufficient amount of Class A stock to retain control, which purchases would probably involve a smaller monetary outlay than direct purchases of the certificates. However, such purchases would involve a permanent investment which is probably alien to the desires of the management, whereas purchases of interest certificates would be a temporary affair, since any future earnings on the part of its subsidiary would, in accordance with reorganization terms, be allocated to the extent of 50% to the purchase of such certificates.

FIC Bank Place Debs.

A successful offering of an issue of debentures of the Federal Intermediate Banks was made May 17 by M. G. Newcomb, New York fiscal agent for the banks. The financing consisted of $70,205,000 1.35% consolidated debentures dated June 1, 1950, due March 1, 1951. The issue was placed at par. Of the proceeds, $30,815,000 was used to retire a like amount of debentures maturing June 1, 1950, and $39,390,000 is "new money." As of the close of business June 1, 1950, the total amount of debentures outstanding after retiring $740,000 from cash on hand before June 1, amounted to $543,925,000.

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Observations . . .

which would otherwise prompt liberal portfolio addition of equities at the favorable low price levels prevailing.

Of course, all investors and those handling "other people's money" are governed by such pressures from crowd psychology. The point of our discussion is that in mutual fund operation the excessive citation of competitive capital gains performance by distributors and others, coupled with the opportunity and proclivity of the shareholders to withdraw and switch from the temporarily "laggard" funds, makes the maximum of unscientific investing functioning inescapable.

Not only will "bucking-the-crowd" during major swings be difficult because of the ordinary emotional reasons of the market place; it is made unattainable by the very materialistic operation of the participating holders' ability to call for their assets.

Significance of Formula Plans

Our correspondent, Mr. Marle, relevantly cites the use of formula timing plans by some funds, as affording guaranty of moderation in apportioning portfolio capital between equities and fixed interest securities. In our opinion, however, the attitude of the funds toward mechanistic formula plans merely reinforces our conviction of fund managers being the tools of their shareholders' speculative proclivities.

Although several funds profess adherence to formula timing, it seems that only one of them really observes the mechanical technique which is the essence of the formula principle. The rest, like other formula followers in the investing community, have added "refinements" which in effect negate the essential mechanistic foundation of isolating the investor from his emotional foibles.

The effect, despite the clothing of a hard-and-fast timing plan, is merely a slight variation of the age-old vague "Buy-'em-low-and-sell-high" principle as utilized by the Rothschilds.

We will not here discuss one fund's use of formula timing in merely recommending it to shareholders for their individual use in switching themselves between stock and bond funds at different market levels—despite (or possibly because of) the incurrence of repeated loading fees.

The scrapping of the genuine formula-timing which prescribe "bucking" of the crowd's judgment, likewise exemplifies fund managers' distaste for being found among a minority of the insufficiently-invested during advancing markets—wholly without reference to the logical considerations for following such investing policy.

Incidentally, one of the advantages of the redemption privilege should not be overlooked—namely, the power it constructively confers on the shareholders to check abuses by the managers of their enterprise (assuming they have the knowledge to appraise the existence of such abuses). Specifically in the investment trust field, the application of the cash-in feature to the closed-end companies would serve to prevent managerial abuses there.

* * *

In any event, these questions are daily being rendered more important by continuingly booming fund distribution—a phenomenon now spreading even to Switzerland with the current initiation of a large open-end fund there.

Mathieson Hydrocarbon Chemical Stock Offered

Mathieson Hydrocarbon Chemical Corp. is offering to the holders of the common stock of Tennessee Gas Transmission Co. rights to subscribe at $10.50 per share for 466,667 shares of Mathieson Hydrocarbon common stock at the rate of one share for each ten shares of Tennessee Gas Transmission held of record at the close of business on May 25, 1950. The subscription warrants expire at 3 p.m. (EDT) on June 14, 1950. The offering is being underwritten by a group of investment firms headed by Stone & Webster Securities Corp. and White, Weld & Co.

Mathieson Hydrocarbon was incorporated in January of this year and will engage in the manufacture of ethylene glycol and certain other organic chemical products from the heavier hydrocarbons separated from natural gas. Tennessee Gas Transmission Co. will supply the corporation's proposed chemical plant with the necessary hydrocarbons and Mathieson Chemical Corp. will assist in financing the construction of plants, supply certain raw materials and technical services and furnish the initial management.

Under the financing program Mathieson Chemical will purchase 466,667 shares of Mathieson Hydrocarbon common stock at $10 per share during the period ending Sept. 30, 1951; 56,000 shares will be offered to the trustee of the Thrift Plan of Tennessee Gas Transmission Co. at $10 per share and another 56,000 shares will be offered to officers and employees of Mathieson Hydrocarbon at $10 per share. Proceeds from the sale of the common stock and from the sale of $17,000,000 of 3¾% first mortgage sinking fund bonds will provide estimated capital requirements of $27,000,000 for the corporation's proposed chemical plant at Brandenburg, Ky., pipe line and chlorine manufacturing facilities. The company expects to start production of liquefied petroleum gas and natural gasoline by Sept. 30, 1951 and of chemical products not later than Jan. 1, 1952.

Upon completion of its financing program the new corporation will have outstanding the $17,000,000 of bonds and 1,045,334 shares of common stock at $1 par value.

Rivette, Inc. Formed

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Rivette, Inc. is engaging in a securities business from offices in the Whitney Building. Officers are J. Lee Rivette, President; Charles L. Schomaker, Jr., Vice-President; and Charles J. Rayers, Secretary and Treasurer.

Raymond & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Bert L. Merrill is with Raymond & Co., 148 State Street.

King & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich.—John A. Oakes has become connected with King & Co., Michigan National Bank Building.

Continued from page 4

American Economy: Freedom's Test

year, and pretty nearly as good as 1948 which was the best year we ever had, and so we're all in the clear"—when I hear this said, I must register my dissent. The fact is that if employment and output and level of business activity remained constant, even at the highest levels we have ever known, we would year by year accrue more unemployment of business resources, of financial resources, and of manpower. And we would accrue all of the problems that go with such increasing unemployment.

Let me illustrate that in just one more way, and then go to some questions of program and analysis. Suppose we take it in dollar terms instead of taking it in job terms. If between now and 1954 we achieve that minimum desirable rate of steady growth, about 3% to 4% a year, which is necessary to prevent unemployment of all kinds from rising constantly above its present base, our national income over the next five years in the aggregate would be approximately $125 billion higher than if we stabilized output and income at current levels, and would be about $300 billion higher than if over the next five years we went up and down as in some cyclical periods in the past. Over a ten-year period, the respective figures would be around $500 billion and $800 billion. These figures are a measure of the size of the problem of expanding our markets to absorb the potential output of our technology and our business resources and our skills and labor force at reasonably full employment. And when we think of these figures measured against the cost of the last war, measured against the size of the national debt, measured against the best national income that we ever had in any year before the war, then we appreciate the size of the problem, a problem of business analysis and of business action in exploring and encouraging and developing prospective and potential markets.

Expanding Home and Foreign Markets

It does stand to reason that, however much we may look across the seas for the further development of those markets, we must find most of them fundamentally within our own shores. The very simple reason for this is that, in the long run, as a simple proposition of economics, if our foreign trade of whatever size it may be is to be on a stable basis, it must in the long run be balanced—and I won't go into all the complexities and details—by an inflow as well as by export of materials and goods and services. There may be some variance, depending upon undisclosed items and upon a lot of technicalities, but, broadly speaking, as we expand our markets abroad they must be balanced in one way or another by imports because if they are not we are simply compounding a problem rather than moving toward solving it. And since that rough balance must take place, the fact remains that in the long run we still have the problem here at home of finding domestic markets roughly approximating our domestic output. I always like to mention this, because I hear in so many places the facile assumption that if in some way we can exploit foreign markets, if in some way we can develop undeveloped areas, then we will no longer have the fundamental problem of the relationship between our home product and our home output.

So as not to be misunderstood, I do not mean by this that a program of developing world trade is unsound. I think it is necessary. I do not mean that such things as the Point IV Program have no point. I think they're good and desirable. I think we need a healthy world economy and a healthy world trade, but let us not confuse that fact with the assumption that if we are successful in that problem we can avoid the central problem here at home.

Now, coming finally to the question of what broad problems confront us as we are faced with the challenge as to whether over the next five years we can very substantially reduce unemployment below the 4.7 million figure of February, 1950, or whether we face a rise to six or eight or ten or twelve million.

Economics is a peculiar science. It's a science of words as well as of facts, and when someone talks words alone one gets many different answers to problems and much seeming disagreement. But when one talks facts, it is surprising to note the extent to which businessmen, labor people, economists and others in the long run identify the problem rather similarly. They identify the problem as one of balance among the various forces of the economy. By that balance they mean, first of all, that our price structure, our price machinery, which is really the operation of our economy, yields enough in profits to business to provide both the funds and the incentives—and I use both advisedly—the funds and the incentives to continue the improvement of its plant and equipment, to continue its basic expansion, to continue the maintenance of its necessary reserves, at those levels which make full use of our great technology. If business income, as a part of the total flow of national income, is not high enough for these purposes, we may temporarily have a high and rewarding level of consumption, but we will be impoverishing that central basic resource, our technology and our plant and equipment, our industrialization, in other words, which enables us to progress in the long run.

As a co-relative those of this problem of balance, if it happens that business income is higher than is necessary for these purposes, and other forms of income correspondingly too low, we have that deflation which results from inability to clear the markets of goods. Looking at the other side of the coin, with respect to personal incomes of all kinds all over the country, which are sometimes called consumer incomes, if they get too high in relation to output we have inflation and over-demand for the products available. But if they get too low, I repeat, we have deflationary pressures.

Seeking a Balance

In this task of seeking balance—a balance which will never be a perfect one, but which must be kept within workable limits if we are to have reasonable stability—what forces have we at work in the private economy? We have three great forces. We have the powerful force of organized labor, organized both on the political and on the economic front. We have the great force of farmers, organized not so much on the economic front because the nature of their industry does not permit that, but certainly organized on the political front for the seeking of a larger snare of national income than they would get if the programs which they favor were not adopted. And then we have organized business, which in its various ways is seeking self-protection and self-advancement.

There are only two ways in a free economy by which those three great forces may seek adjustment. One way is through conflict. Conflict on the economic front, through the breakdown of collective bargaining. Conflict on the political front, through the bidding of favors, based upon the delivery of votes.

We have gotten along thus far despite this kind of conflict, and we would certainly none of us surrender all of this kind of conflict for anything that might take its place. We would rather have the conflict, we would rather have the headaches, we would rather have the trouble, than to have the suppression or the restriction or the national planning which could be the only substitute in the kind of economy we have for some of this conflict.

But I think many of us are coming to realize increasingly that some of this conflict must be replaced, or at least ameliorated, or at least reduced, by a second way. This involves use of certain other guides to the conduct of free men in a voluntary free enterprise economy.

Calls for Less Conflict Among Economic Groups

What are these other guides? In the final analysis, they cannot be self-denial or self-sacrifice or altruism, because in the final analysis it is the very definition of our kind of economy that the pursuit of gain, the following of self-interest, is the motivating force which drives the economy forward. Those people who go around saying that labor should be unselfish, that farmers should be unselfish, that businessmen should be unselfish, seem to me to propose no solution to the problem. It seems to me that they don't even state the problem. The problem is rather to find some restatement of this ostensible conflict so that it is made clear that there are many areas in which the self-interests of one and the self-interests of the other coincide. In other words, we must find more ways of stating what I believe to be an ultimate truth about our economy—that in the long run, for our economy to grow and thrive and prosper and be reasonably stable under a free system, there must be more and more areas where labor and business and farmers appreciate that their real interests do not conflict in the long run.

If a farmer should achieve a price-support program which holds out to him the hope of a higher portion of the national income than is consistent with that level of wages or that level of profits which is needed for a healthy industrial system, if he should get a level of supports which holds out to him the inducement to a volume and composition of agricultural output which our economy simply cannot digest, then the farmer in the long run will not benefit thereby. And the same thing applies in the case of the businessmen and the workers, neither of whom can benefit in the long run by getting more than the economy can afford to give.

How can areas of mutuality of interest be more carefully defined? It depends upon men of good will—and I believe, despite anything that may be said to the contrary, that a majority of the responsible leadership in all of the vast groupings of the American economy are men of good will. If we don't start with that assumption, we can't get anywhere. There are the troublemakers, there are the recalcitrants, there are the adventurers, but we must start with the assumption that most of the leadership is made up of men of good will who are groping for answers that will be workable answers in a free economy.

It seems, under these circumstances, that to get this reconciliation of interest so that there will be more areas of agreement, lesser areas of conflict, and at least a reduction of the areas of conflict upon some of the most dangerous ground, we must all try through improved economic study and analysis to define more carefully how the whole economy works in its main parts, and how its related parts synchronize and fit together.

Planned Economy Not Needed

This does not mean national planning. This does not mean the adoption of laws to put all or most of these things into effect, although laws in some areas of national policy are necessary. Let us remember that, in our kind of free economy, even laws must rest upon majority agreement and the broadening of areas of consent because without these you don't get the laws enacted in the first place and you certainly don't get them effectuated even after they are enacted. So those who say, "Let's substitute law for voluntary study, for agreement on a voluntary basis," are just avoiding the problem because the problem exists in either event.

The most promising approach to this widening of areas of agreement, involving management and labor and farm groups, is to try to define over some reasonable period of time what a few broad requirements and prospects of our economy are—prospects which we all sense and should share. For example, suppose we start with the proposition that a $300 billion or higher annual national output within four or five years is not a pipe dream, is not pie in the sky, but is simply a factual definition of a goal that we have to reach if we are not going to be in serious trouble. And then suppose we try to use improved analysis and economic study to examine candidly and frankly, for example, what kind of funds business needs for investment in plant and equipment, what kind of output of steel and of agricultural products are broadly consistent with these objectives of a free and growing economy, and what all this implies for certain price adjustments and for certain wage adjustments and for certain farm policies. There would still be a range of conflict. I think it would still be true that each group would try to shape and edge its analysis a little bit to its own particular point of view. But I also think that through some such method of voluntary approach and consultation there would gradually emerge some broadening areas of agreement which would reduce the conflict and which would provide guides to viable, voluntary decisions in a free economy.

Basis for Optimism

What does that optimism arise out of? Not simply out of a Pollyanna feeling. Let us look back to the first half of 1949. There then appeared many of those factors which in the early 1920s and again in the late 1920s and early 1930s produced a very serious and prolonged decline; there was a sharp commodity break, a sharp farm price drop, a rapid decline in profits in many industries, a sharp rise in unemployment. The business sentiment that was accruing at that time was fraught with uncertainty. Yet we came through that test in 1949 much better than in earlier periods. Why? Because, throughout the economy at many main and strategic sectors of the business community, there were voluntarily practiced and put into effect improved economic judgment and knowledge based upon broader horizons and wider study and more information than had been available 15 or 20 or 30 years ago. In the handling of inventories, in the management of prices, in the handling of payrolls, and other items too innumerable to mention in the short time here, I think there was a very decisive change for the better as against years ago. At these various strategic points in the economy, there was more impartial study, more analysis, and more effort to relate the problems of each particular industry in the country as a whole.

Finally, we come to government policy, which I have not the time to discuss at great length here. By defining these common objectives in broad areas, we could undertake a practical, business-like and economic examination of how government programs, designed initially with the narrow purpose of raising revenues or supporting farm income or paying social security benefits, would be tested by their effect upon the wealth and the health and the stability of the economy as a whole. They would be tested by the incentives which they provide for general growth and stability and expansion through the normal channels of voluntary trade.

Studying Tax Policy Effects on Economy

Applying that approach to tax policy, I think that a primary judgment of tax policy should be, not only how much revenues it raises on paper in the first instance, but also what its effect upon the whole economy is—how it affects incentives, how it affects growth, how it affects initiative, and many other matters of that kind. And while those responsible for tax policy would still in the final analysis have to make certain reconciliations of judgments, they would have a star to guide themselves by which I think now is partly lacking.

So that both in the area of private policy and in the area of public policy we have need for this study, this refinement, and this re-definition of the vast and inspiring and realizable goals of the American economy.

In closing, I want to say just one thing about how that might affect business policy. The businessman is always torn by the problems of tomorrow as against the problems of next year. So long as the business community focuses entirely upon the problems of tomorrow in a literal sense, on how the next strike may be settled, or on how a current strike may be settled, on whether a majority of economists or others guess that the next six months will be good or bad—I think that so long as attention is focused solely upon these very short-run considerations alone, there will be a tendency for businessmen to take the kind of action which in itself tends to make the economy somewhat more unstable.

For example, if a large group of businessmen, strategically located, should feel that the economic outlook over the next six months or over the next year is not good, then their policies of investment (which seem to me to be a primary conditioner of the economy) would trend in the direction of liquidity rather than in the direction of use of funds. This, if in large enough volume, would in itself exert a pronounced downward pressure factor. If, on the other hand, wide and strategic sectors of the business community look more years ahead, recognize that in the long run we have not begun to tap the full potentialities of our markets, that our standards of living are not a fixed thing, that our ingenuity in the develop-

ment of new products is not a fixed thing, that our capacity to adjust prices to markets is not a fixed thing—if the business community looks ahead in this way and realizes that America should not be sold short, then the investment and pricing policies of business, as well as the policies of other organized groups, would move in step with the long range upward movement of the American economy.

If there is any utility in the enterprise in which some of us in Washington are engaged, it is not in anything that we may ourselves arrive at in an Ivory Tower, it is not solely or mainly in what the government may find or decide to do, but it is rather in having some slight effect upon stimulating throughout the economy in all its parts a real sense of the things which unite and hold together the American people. These things which hold us together, in world terms, are vastly more important than the things which seem to divide us. The questions which we need to solve together are much more important than any questions which the fainthearted may think are insoluble. The record of our past is on the whole inspiring regarding our capacity to move ahead. If we can bury the hatchet, define our problems commonly, apply to them the best judgment and the best thought of our business analysis and our economic study, and try to arrive at more agreements and wider common consensus as to what needs to be done, then we have never lacked and we never will lack the technical ingenuity and the skill and the resources to go ahead to a successful conclusion.

Horse Racing to Be Revived at Field Day

Horse racing will be revived at the Bond Club Field Day this year, with members of the Bond Club riding as jockeys, J. Emerson Thors, Kuhn, Loeb & Co., Field Day Chairman, announced.

The "Sleepy Hollow Derby" will be run over a special course at the outing next Friday.

Sporting the colors of famous stables, Wall Street's amateur jockeys will participate in three races, with the final run off by the winners of the first two events.

A collection of unusual steeds has been assembled for the racing feature, and jockeys will draw their mounts by lot.

The "parade to the post" will take place immediately after the Field Day luncheon and annual meeting of the Bond Club on Friday, at the Sleepy Hollow Country Club.

Clarence F. Anderson With Edgerton, Wykoff Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Clarence F. Anderson has become associated with Edgerton, Wykoff & Co., 618 South Spring Street, members of the Los Angeles Stock Exchange. He was formerly with Floyd A. Allen & Co. and Paul R. Flynn Co. Prior thereto he was with Carter H. Corbrey & Co. and Fewel & Co.

With F. I. du Pont Co.

(Special to The Financial Chronicle)

CHICAGO, Ill. — Howard W. Seibert has been added to the staff of Francis I. du Pont & Co., 200 South La Salle Street.

Joins Smith, Barney Co.

(Special to The Financial Chronicle)

CHICAGO, Ill. — Richard D. Vermillion has joined the staff of Smith, Barney & Co., 105 West Adams Street. He was formerly with Ketcham & Nongard.

Continued from page 5

The State of Trade and Industry

present. They are higher than the regular mill price of most producers, and are usually charged by smaller mills or by marginal or high-cost producers.

Steel consumers this week are being caught between mounting orders for their products and an increasing steel shortage. Here is some evidence: A major appliance maker is buying 25% of its steel from sources other than producing mills. A radio manufacturer scheduled a 20% increase in output but couldn't get the electrical sheet to carry it through. A forge and die shop was forced to cut production 10% to 25% because it couldn't get enough semi-finished carbon steel. Two farm implement makers have cut back production, saying they couldn't get flat-rolled material. This list can be carried on.

Booming Detroit is also feeling pangs from its hunger for steel. As usual, concludes "The Iron Age," the bottleneck is the small parts suppliers who feed the auto assembly lines. The big three will probably be able to keep their lines rolling by bailing their suppliers out with steel. But the independents are harder pressed with some of them lacking the cash to finance purchase of expensive conversion steel even if they could get it.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steel-making capacity for the entire industry will be 101.5% of capacity for the week beginning May 29, 1950. This is 0.3 point below last week's rate of 101.8%.

This will be the seventh week in succession that steel production will exceed 1,900,000 tons, according to the Institute.

This week's operating rate is equivalent to 1,934,900 tons of steel ingots and castings for the entire industry or 5,700 tons lower than one week ago. A month ago the rate was 100.2% and production amounted to 1,910,000 tons; a year ago it stood at 91.8% and 1,692,300 tons.

Electric Output Reverses Downward Course

The amount of electrical energy distributed by the electric light and power industry for the week ended May 27 was estimated at 5,893,782,000 kwh., according to the Edison Electric Institute.

It was 49,221,000 kwh. higher than the figure reported for the previous week, 623,621,000 kwh., or 11.8%, above the total output for the week ended May 28, 1949, and 817,757,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Rise With End of Rail Strike

Loading of revenue freight for the week ended May 20, 1950, totaled 743,307 cars, according to the Association of American Railroads. This was an increase of 31,488 cars, or 4.4% above the revised total of 711,819 cars loaded in the week ended May 13.

The week's total represented a decrease of 30,603 cars or 4% below the corresponding week in 1949 and a decrease of 135,870 cars, or 15.5% below the comparable period in 1948.

Auto Output Sets New High Record

According to "Ward's Automotive Reports" for the past week, motor vehicle production in the United States and Canada advanced to an estimated total of 183,670 units, compared with the previous week's total of 175,314 (revised) units.

The former record was 177,898 units turned out in the week ended May 12.

Total output for the current week was made up of 146,470 cars and 29,976 trucks built in the United States and a total of 5,215 cars and 2,009 trucks built in Canada.

The week's total compares with 117,703 units produced in the like 1949 week.

Business Failures Turn Upward

Commercial and industrial failures for the week ended May 25 totaled 214 compared with 192 in the preceding week, Dun & Bradstreet, Inc., reports.

Failures involving liabilities of $5,000 or more totaled 176 last week, compared with 152 the week before.

Last year in the corresponding week there were 206 failures, of which 163 had liabilities of $5,000 or more.

Food Price Index Attains New 16-Month Peak

A further rise of 1 cent last week carried the Dun & Bradstreet wholesale food price index for May 23 to $5.90. This represented a new high for the past 16 months, or since Jan. 25, 1949, when it stood at $5.91. The current figure reflects a gain of 2.8%, as compared with $5.74 recorded on the corresponding date a year ago.

The index represents the sum total of the price per pound of 31 foods in general use, and it is not a cost-of-living index.

Commodity Price Index Highest Since January 1949

A further moderate rise in the general commodity price level last week carried the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., to the highest since the end of January, 1949. The index rose to 262.22 on May 23, from 260.66 a week ago, and 249.13 on the like date a year ago.

Irregular movements continued to feature domestic grain markets the past week. Demand for wheat was slower with prices trending generally lower.

Weakness stemmed largely from reports of better weather conditions for plowing and planting in the Spring wheat areas and an improvement in prospects for the new Winter wheat crop.

The country movement of corn remained small. The market was mostly steady with strength in late dealings attributed to good demand for the cash article and light country offerings. Oats developed a firmer trend towards the close, the cash grain selling at the best prices since July, 1948. Expectations of a short crop of oats this season was one of the chief supporting factors.

Trading in grain futures on the Chicago Board of Trade expanded slightly to a daily average of 44,500,000 bushels, as compared with 42,300,000 bushels the week before, and 28,200,000 bushels in the like week a year ago.

Cocoa prices continued to climb, reaching new high ground for the season. Active trade and commission house buying was prompted by an increasing tightness in supplies.

Flour prices finished higher, aided by the firmness of cash wheat premiums in the Spring wheat market. Domestic bookings of all types of bakery flour remained slow with demand confined largely to small-lot sales for immediate or nearby shipment.

The lard market developed a somewhat easier tone despite continued strength in hogs and the purchase of about 26,000,000 pounds of lard by the government for shipment to Germany.

Fresh pork was in better demand at firm prices. Hogs showed further strength with current values at the highest level since last September. Steers were mostly steady while lambs turned downward.

Domestic cotton markets displayed a firmer tone last week with spot prices at New York showing a net rise of 34 points for the period.

Activity in spot markets was somewhat slower with sales in the ten markets totalling 128,400 bales, against 156,300 bales a week previous, and 135,600 in the same week a year ago. The chief stimulus to the upturn was attributed to the sharp acceleration in the demand for cotton goods.

Other factors included the favorable outlook for export trade and official confirmation of a slight contraseasonal rise in the daily rate of consumption during April.

A good foreign demand was noted in the Southwest, largely against recent large orders from Europe and Japan.

The volume of sales in cotton gray goods last week totalled close to 150,000,000 yards, the largest for any week in more than three months. Orders were booked through the balance of the year, with greatest activity shown in print cloths, drills, twills, and ducks.

Retail and Wholesale Trade at Moderately High Level

While consumer demand for both apparel and durable goods was almost unchanged, a rise in food buying helped to increase total retail sales very slightly in the period ended on Wednesday of last week. Nation-wide retail dollar volume remained slightly below the level for the corresponding week a year ago, states Dun & Bradstreet, Inc., in its current survey of trade.

Inclement weather in scattered areas partly counteracted an expected seasonal rise in apparel buying this week.

The interest in summer wear was especially retarded, as sales dipped in such items as washable dresses and tropical worsted suits. Some increases, however, were registered in the dollar volume of children's sportswear and bathing suits. Men's shirts also continued to be in sizable demand.

There was a moderate rise in response to offerings of food on the retail level during the week. Fresh fruits and vegetables were increasingly popular with housewives. The demand for eggs and poultry rose substantially as the prices for these products dipped to a low level. While there was a slight increase in the quantity of fresh meat bought, the emphasis was on inexpensive cuts and smoked varieties.

Outdoor furniture and garden tools were among the house-furnishings in increased demand last week. The volume of kitchenware, tableware and small appliances also rose somewhat, while interest in large appliances and television sets leveled off in scattered localities.

Total retail dollar volume for the period ended on Wednesday of last week was estimated to be from 1% above to 3% below that of a year ago. Regional estimates varied from the levels of a year ago by these percentages:

New England 0 to —4; East and South +1 to —3; Midwest +3 to —1; Northwest —1 to —5; Southwest 0 to +4 and Pacific Coast +2 to —2.

Wholesale purchasing throughout the country was sustained at a fairly high level in the week. The total dollar volume of orders continued to be slightly above the level for the similar period a year ago. There were slightly less buyers attending wholesale centers than in the previous week.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended May 20, 1950, declined 2% from the like period of last year. An increase of *8% was recorded in the previous week from that of a year ago. For the four weeks ended May 20, 1950, sales reflected a decline of 1% from the corresponding period a year ago, and for the year to date they show a drop of 3%.

Retail trade in New York the past week suffered from unseasonable weather and this retarding influence resulted in a drop in estimated department store sales of about 6%.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to May 20, 1950, dropped 4% from the like period last year. In the preceding week an increase of *6% (revised) was registered from the similar week of 1949. For the four weeks ended May 20, 1950, a decrease of 4% was reported from the like week of last year. For the year to date volume decreased by 6%.

*Changes from a year ago reflect in part the fact that Mother's Day occurred on May 14 this year while in 1949 it was on May 8.

With King Merritt

(Special to The Financial Chronicle)

WINSTON-SALEM, N. C.—John M. Lacey has joined the staff of King Merritt & Co., Inc. of New York City.

With State Bond & Mtg.

(Special to The Financial Chronicle)

NEW ULM, Minn. — Virgil L. Halligan has become affiliated with State Bond & Mortgage Co., 26½ North Minnesota Street.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

The market didn't advance substantially in the past few days so the stories started going the rounds that the long awaited reaction — the inevitable break — was right around the corner. It is being pointed out that there hasn't been any setback worth the name for the past 11 months and one is therefore "due."

* * *

For all I know the conditions mentioned above may actually be potent factors; stocks may break wide open because a reaction is "due." But I have yet to see markets go down or up on the tortuous reasoning that such moves were due. Stocks go up because more people are buyers than sellers; they go down because they're more sellers than buyers. If there's any other cause that controls the price structure it has escaped me. And I've been messing around with markets and stocks for a long time.

* * *

All the foregoing doesn't mean that stocks are necessarily in a move position. This column is now long and would naturally prefer to have its position confirmed. But I'm not so naive as to believe that a wish can bring about the hoped for result. It is even possible that they'll wallow around for a couple of more days and then spill. I mention this as a possibility, not as an expectation.

* * *

When I suggested buying building stocks two weeks or so ago I had been on the sidelines for some time. The chief reasons for the switch was that despite all the reaction signs present for weeks, the inevitable reaction d i d n ' t come. At least it looked inevitable from where I sat. I therefore reasoned that a market that wouldn't go down would do two other things: it would go up or turn dull.

* * *

I can go into additional details but none of them mean much unless the end results justify the means. And that is something that only time can answer.

* * *

As of this writing you're long of three stocks, none of which has so far proved any great shakes as profit makers for recent buyers. These are Certain-teed, bought at 18 with a stop at 15; Flintkote at 33 with a stop at 29, and Timken Detroit Axle at 17 with a stop at 14. If you'll check the current prices of these stocks with those above you'll understand when I say they haven't so far proven to be anything to boast about.

* * *

At this point I'm tempted to quote some salient financial facts of the companies mentioned above. To do that, however, it would mean I'd have to pore through financial statements; compute earnings by number of shares outstanding, number of bonds out, etc., etc. Being as lazy as the next man I have no real intention of looking all these things up. For one reason I'm writing this in the country where the facts I would need to expound any theory are not available. For another, even if I were at my desk, I wouldn't do it. I'd delegate the research to somebody else and just digest the conclusions.

* * *

I don't know if the foregoing does you any good. It probably doesn't. But if the market goes up it will be as expected. If it goes down, I think there'll be enough additional signs in the next few weeks to warn us in advance.

* * *

[*The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.*]

With Central Securities

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Hugh J. Lanktree is connected with Central Securities Co., First National Bank Building.

Joins Bache Co. Staff

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Thomas C. McEldowney has been added to the staff of Bache & Co., Johnston Building.

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We Can Not Spend Ourselves Into Prosperity!

effort required has, in 20 years, been accompanied **by a 262% increase in the tax burden.** And during this same period every dollar the worker earned and invested in government bonds, life insurance, or a savings bank account has shrunk about 50% in purchasing power. This is one of the direct results of continued deficit financing, government debt, and national profligacy.

The "Brannan Plan"

Herculean efforts are being made to sell the idea of the so-called "Brannan Plan" to the American farmer. I am told that special pamphlets, adapted to differing communities, are being sent out by the millions in an effort to popularize this idea. What is it? Merely that all agricultural products shall be sold on the open market at whatever price they will bring in competition and the difference between the price thus realized and that fixed by the government as "fair" shall be paid as a subsidy.

The Secretary of Agriculture naively suggests that we commence by just sticking our toe in this financial pool of unknown depth by trying it out on hogs this year. This trial, it is estimated, would cost \$600,000,000 for 1950 as against \$175,000,000 under the present plan, a mere difference of \$425,000,000. But that is not all, **for, in my opinion, a pork barrel of this kind, once opened, will never be closed.** Even the staunchest advocates of the plan refuse to estimate its ultimate cost. And let it be remembered that when it comes to defining "basic commodities" which are to be subsidized in this manner, at your expense and mine, a "basic commodity" is any commodity which can gain support of not less than 20 Senators.

At about the same time that this proposal was placed before this country, Sir Stafford Cripps, the British Chancellor of the Exchequer, presented the new budget to the British Parliament. He said that the food subsidy program had grown far beyond any expectation. Losses for the current year, he said, were estimated at $2\frac{1}{4}$ billion. "That," said Sir Stafford, "just can't go on." He also said, "When I hear people speak of reducing taxation, when at the same time the cost of social services is rising in response to the demands of the same people, I sometimes wonder whether they understand the old adage that we cannot eat our cake and have it too." Then Sir Stafford told the British people that there would be a rise in regulated prices and that the tax rate must remain at the same devastating level, 40% of the pay of the average worker. And, mind you, we are only 15% behind Great Britain in this regard, for our tax bill is now 25% of national earnings.

A Policy Leading to Moral Degeneration

So far we have dealt with figures, but what about the more important if less tangible moral degeneration of our people which has been the inevitable by-product of the loose thinking, profligacy and violation of fundamental economic precepts which, for the past decade, we have witnessed in government? Fifty-eight percent, or 83 million of our population have had no adult experience with a prewar administration. Most of our teen-agers have lived their entire lives under the cloud of some sort of "ism"—socialism, collectivism, spendism, waste-ism, tax-ism, or Uncle Sam will-provide-for-you-from-the-cradle-to-the-grave-ism. They have been taught to spend as they go, and take no thought for the morrow, to consider frugality an out-moded custom and to demand more and more pay for less and less work. Nor have these soporifics, administered in over-doses from Washington, been confined to our youngsters. Many of us oudsters have, perhaps unconsciously, come to applaud each successive assumption of state, local and individual burdens and obligations by government until we are well on the road to complete bureaucracy. **But we have paid for this buck-passing to Uncle Sam.** Twenty years ago all varieties of government, omitting Federal debt service, cost the average family less than \$200 annually. Today, the same service costs the average family \$1,300 annually. Mr. Average Citizen today works 61 days out of each year to pay the tax bill and, if the spending measures now proposed are enacted, another 20 days out of each year will be added, or one week out of every 30 working days.

Slowly but surely, over the past 16 years, we have been approching the so-called "collectivist state." One by one the areas formerly subject to exclusive state control have been taken over by government. Public housing, minimum wages and hours, education, social security and crop control, are a few examples. Socialized medicine is next on the proposed agenda.

There is now pending in the Congress a bill called "The Economic Expansion Act." This legislation, introduced by a strong coterie of so-called progressives in the House and Senate, would throw wide the doors of the United States Treasury to political spoliation. It would place the government in competition with private industry in many important lines. It appropriates \$4 billion for Federal meddling with our economy and authorizes \$11 billion additional for public debt transactions in the form of guaranties, loans and other financial commitments. No strings of any consequence are placed upon the expenditure of this, your money and mine. Vocational training at government expense, grants of public funds for workers desiring to move from a so-called "normal" area to a so-called "depressed" area, an unemployment reserve fund of over \$2 billion and $\$4\frac{1}{2}$ billion for financing projects in economically undeveloped areas throughout the world, are a few of the highlights. A more perfect picture of, or a clearer approach to, socialism can not be imagined — a pork barrel which, for size and opportunity for political "pap," has never been equaled, not even in the most decadent years of the Roman Empire. This bill, I am told, is well sponsored and may be enacted into law unless the people awaken to its menace.

Dead Hand of Government Laid Upon Private Lives

I sincerely hope that none of us will ever, forget the fact that once the dead hand of government is laid upon the private lives, the private fortunes, and the private enterprises of our people, it is never released. So-called "welfare" and socialistic schemes have only one gear shift; forward, never in reverse. One of the favorite and well-known techniques of those who would sell us down the river of socialism is to drive an entering wedge of obtaining a relatively small appropriation from Congress just to try out" some cock-eyed scheme leading to Utopia and then urge that because we have gone that far, the money would be wasted if we did not go on. No, my friends, beware of trial balloons in socialism and managed economy. They are filled with a powerful gas that will take us to heights a fall from which spells utter ruin.

Hoover Commission

In view of what may moderately be called the acute financial condition of this country, as reflected in the foregoing, it may be well to ask ourselves what can be done about it. With this in mind, let us examine briefly the findings and recommendations of the so-called "Hoover Commission."

This Commission was created on July 7, 1947, by the unanimous action of Congress and was composed of six Republicans and six Democrats. The Commission drafted 300 outstanding men and divided them into task forces. After nearly two years of investigation and study, its report was issued and its functions ended in June, 1949, with a substantial part of its budget unexpended and returned to the Treasury. The report has been considered the most monumental work of government research ever made. It is a blueprint for reorganizing, modernizing, and streamlining every department of our Federal system.

The report was not intended as, and is not, a criticism of any political party or any administration. It is, however, an indictment of a system that has grown up over many decades. President Truman has wholeheartedly endorsed its findings and is currently urging their implementation.

If its recommendations are adopted, what will the report do? It will save about three billion dollars of present outlay and end such absurd, amusing and ruinously wasteful instances of governmental methods as the following:

Forty-seven per cent or three million annual government orders for supplies are for \$10 or less. It costs \$10 in paper work and clerical red-tape to process such an order **or more cost to purchase an item than the thing is worth.** This means something when we consider that the Federal Government spent \$6.5 billion for supplies, materials and equipment in 1949.

A report published in the United States Naval Institute proceedings for December, 1949 shows this:

Three identical thread taps from different suppliers cost \$9.12 \$2.33 and 73c; the same screw cost \$2.88 and \$1.21 per gross; one manufacturer supplied identical articles under different inventory numbers for 5c and 10c each and it was found that the same article was carried in general stores at 7 mills each.

The government keeps seven different sets of books but there is no place where a complete financial picture of the government can be obtained. Uncle Sam owns approximately \$27 **billion worth** of personal property, but no one knows exactly where it is or what it is, because there is no over-all inventory. We do know that the government owns about one million automobiles and over 800,000 typewriters, or about 3.6 typewriters for every employee who uses one. The Post Office can not find out for eight months what its cost of operations is and how much it lost last year because it has no accounting system of its own. It is estimated that its

loss for 1949 was one-half billion dollars on a revenue of $1⅓ billion. The Army tore down a 16-million dollar camp in Alaska and shipped the lumber to Seattle. The Department of the Interior got the lumber and shipped it back to within ten miles from where it had started. At Houston, Texas, a 1,000 bed Navy hospital cost 15 million dollars. It was built during the war on the express understanding that it was to go to the Veterans' Administration after the war. The Navy refused to give it up, although only 10% of its capacity was being used. So the Veterans' Administration is building a new 1,000 bed hospital right alongside the old one at a cost of 25 million dollars.

In spite of President Truman's demand for a cutback of 16,000 beds, the Veterans' Administration got from Congress 280 million dollars to build new hospitals totaling 38,000 beds, although there are other governmental hospitals with a capacity of 255,000 beds with 100,000 of them empty.

Thirty-eight different governmental agencies lend money; 16 are engaged in wild life preservation; 34 are engaged in obtaining land; 10 are engaged in government construction; 65 are engaged in gathering statistics; 12 are engaged in home and community planning; 28 are engaged in welfare matters, and 14 in forestry matters.

These huge bureaus, boards and departments are literally tumbling over one another, stepping on each others toes, duplicating work and creating untold confusion, and all at your expense and mine.

One farmer wrote to the Department of Agriculture for advice about the best type of fertilizer. He got answers from five separate offices and all were different; and so on *ad infinitum*. The Bureau of Indian affairs has one employee for every 32 Indians. There are 23,000 personnel workers in Federal service, drawing 760 million dollars a year, or one personnel worker for an average of every 78 employees.

On the Snake River, on the Oregon-Idaho border, the Engineer Corps came up with a proposal for a 372 million dollar dam, 710 feet high, and the Bureau of Reclamation in competition, with a 607 foot dam to cost 433 million dollars—a difference of 61 million between them, but only two miles apart. **The total of all water projects completed, under construction, definitely planned and projected, is $57½ billions.**

The recommendations of the Hoover Report can be put into effect. As a matter of fact, much has already been accomplished, but much more needs to be done. The Commission's recommendations would result in reorganizing, eliminating, combining and streamlining all government offices. It would provide for a performance budget which would give the President, the Congress, and the people a clear, simplified picture of money requirements and expenditures. It would establish an intelligent, nationwide system of recruiting, promoting, and discharging employees, give best opportunity for advancement, and make possible the firing of incompetent and insubordinate personnel. At the present time, it takes months to get rid of a wholly unfit employee. The Commission's recommendations would put all government expenditures under a united methodical administration, throughly reorganize the antiquated Post Office, consolidate all insurance functions under one head, and reorganize the purchasing functions of all departments. **However, these recommendations will not be adopted unless we, the voters, demand it.**

Traveling a Dangerous Road

Do you agree with me, then when I say we are traveling a dangerous road? Do you believe with me that government finance and household finance are alike in one important particular; the interest and principal of debt must ultimately be paid unless the creditor who holds the obligation is to be robbed? Do you state, or nation can increasingly follow me when I say that no city, spend and spend, tax and tax, without ultimately ruining its e c o n o m y and despoiling its people? Are we in accord on the proposition that what is needed everywhere is less emphasis on the rights of man and more emphasis on his duties and responsibilities; less emphasis on how one can obtain something of value with no effort and more emphasis on industry, thrift and character? If not, I have no message for you.

And so, my friends, we have taken a very sketchy inventory of our corporation for Spring, 1950. Do you like the picture? Which one of you would be happy about an old and valued customer whose record showed that in only two of twenty-one years had he lived within his income? What advice would you give a friend who, with an already astronomical debt, persisted in plunging each year deeper and deeper into the financial mire? I do not need to hear you speak in order to know your answers to these questions.

The bitter irony of it all lies in the fact that we, the United States of America, persist in following such an insane course. Here we are, the one great bulwark in the whole world against the creeping paralysis of socialism and its big brother, communism. With wars and threats of war surrounding us we must remain strong, alert, ready for any contingency. **We are the one last hope in an already harassed and despairing world.** In the last analysis we can not look to any other country or league of nations for the protection of our life, our liberty, or our sacred honor. And yet we are madly pursuing a program of greater and greater spending, higher and higher taxes, more and more encroachment by Federal Government upon the private lives, the private endeavors and incentives of our citizens. This course must be stopped and it can be stopped if we the shareholders who pay the bill for political pap and bloated bureaucracy demand it.

What can you do to remedy this dangerous situation? A great deal. You are a freeborn American citizen with as much right to express your opinion, thank God, as the mightiest in the land. You can be an active citizen, working for the welfare of the nation, rather than a fatalist. You can tell your representatives in Congress what you think. You can discuss, argue and persuade, wherever it might do some good, helping to educate and arouse public opinion. There are millions of us capable of speaking up and getting a respectful hearing. Thinking and debate on such matters must not be confined to legislative halls. We should enlist the interest of clubs, schools, fraternal organizations, civic organizations, churches, and t r a d e groups, in the gospel of sound and sane government. An aroused, informed and active electorate will turn the tide back to sanity if the "under-privileged" businessmen and women of this country, the great mass of citizenry with no axe to grind, awaken to the perils of the present situation and get fighting made. We can all do much to enlist this army of defense against the oncoming forces of disaster. "Grass roots" work will be necessary. We did this to sell hundreds of millions in Liberty Bonds. With our very way of life at stake we can do it again to defend the liberty for which we were then fighting. Vast unused forces and manpower wait to be enlisted. There are millions of our citizenry ground between the upper and nether millstones of high taxes and the depreciated dollar, ready to fight for liberty again if led by men who have convictions that burn in their hearts for the right as against wrong. Liberty waits once more for men and women like you, serving as the volunteer leaders and organizers, in a program to keep our beloved country s o l v e n t, free and strong enough to meet any emergency, come what may.

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What Price Transportation?

our nation to function as it does today.

A railroad worker today produces annually some 500,000 ton-miles of freight movement—in the trucking industry the annual per capita production of freight movement is only 16,000 ton-miles—a factor that cannot be disregarded. Yet, when such an economical method of transportation, because of purely artificial handicaps, loses traffic to less economical agencies, then the **total overall cost of transportation** inevitably rises—and the increased cost is borne by the users of transportation, either in higher average rates or in higher taxes, or both.

A change for the better of these broad public policies that are crippling the railroad industry can come only, first, from a public undertsanding of the evil effects they are having on our national economy, and then from public action. They are beyond the province of railroad management to control.

Railroads and National Economic Health

In a talk I made at the annual meeting of the National Association of Shippers' Advisory Boards in St. Louis last October, I said that I believed every shipper of freight must determine to his own satisfaction whether or not he feels that the railroads, as private, self-sustaining enterprises, are a valuable asset to the economic health and well-being of the nation. And that if he were convinced of this fact, then he must, for his own good, support the industry.

I firmly believe that statement and regardless of views to the contrary, I believe it to be logical. Not long ago, I was surprised to read some remarks made by an important man and a student of the railroad problem, when he took exception to the view that a loyal and patriotic shipper is in duty bound reasonably to support the railroad industry. With this thought I cannot agree. In the present-day set-up, the principal competitor of the railroads is the government itself. The problem, therefore, becomes political in nature, and politics is the public. You men, who are shippers, are an important segment of the public, and I repeat, therefore, that you must, for your own good, reasonably support the railroad industry.

You men who are shippers and users of transportation must consider what your overall transportation bill is going to be—and what the nation's overall transportation bill is going to be. Can you afford to let your tax-transportation bill continue to increase? Can you afford to let the railroads slip into government ownership, which would destroy initiative and make for waste and inefficiency? In such an eventuality, your tax-transportation bill would be tremendously increased, for the p u b l i c—including yourselves—would immediately be saddled with the billion dollars of taxes now paid by the railroads—the government pays no taxes—plus the added cost brought on by inefficient and uneconomical operations.

These things you must think about, and more important, you must do something about them, for action, not words, is needed.

Management Responsibility

I have said nothing to you about management responsibility in this problem, and maybe some of you are wondering what, if anything, we are doing to correct the evils that exist. I am not going to uphold management as the "fair-haired boys" in this crisis, and lead you to believe that this is your problem, and not ours. Without doubt, many mistakes in railroad operations have been made; lots of things could have been done that were not done, and railroad management is not without fault. But the fact remains that management **cannot make or repeal laws.** And action by the public, and by our law makers, will be needed before the situation can be corrected.

Railroad management is, however, taking a lot of effective action. We are improving the railroad plant as fast as we can afford to do so, and new records are constantly being made in operating performance. A new high record in operating efficiency, as reflected in freight train performance, was attained by American railroads in 1949. More tons of freight were moved more miles per train hour than ever before, and the number of cars per train and the average speed per train were greater than ever before.

This improved efficiency took place despite a lower volume of traffic. It was made possible because of improved operating methods, the installation of more economical Diesel power, better freight cars and improved signalling and other railroad devices. And these improvements are being made by railroad management despite the fact that, for years, venture capital has steered clear of the railroad industry because of the wholly inadequate earnings. Since World War I, new money put into the railroads came 1% from stock—99% from bonds or earnings. And this has been done in the face of an average return in the past 30 years of only 3½% on investment.

There are many other collateral "troubles" which are management problems. We have heavy and discriminatory tax bills. We are faced with exorbitant demands on the part of railroad labor for "make-work" labor agreements, and we must constantly think of ways and means to overcome skyrocketing operating costs. There is a limit, however, to what management can do to maintain railroad solvency in the face of these various obstacles, and that limit is about reached.

The reason we railroad men keep "harping" on this subject is that a great deal of public education will be required to make it clear that all the railroads are endeavoring to do is to secure the traffic to which their inherent economy entitles them. At the same time, it must be understood that we are not trying to place obstacles in the way of other agencies of transportation that have a place in the transportation picture. In this effort we do need your assistance—and need it badly—and we ask only that you give the matter a fair appraisal.

That is why I say again that the problem is a public one, and the public treatment of it will determine whether or not our nation continues down the path toward socialism, or whether we elect to keep the principles of freedom, private enterprise and individual initiative that have made us the greatest and most powerful nation on the face of the earth. It is that important.

In conclusion, gentlemen, I wish to again emphasize that the issue in the railroad problem boils down to the simple question — what price are you paying; what price will you pay in the future for your transportation needs, and of most importance, how do you wish these prices assessed against you?

Business Man's Bookshelf

Experiment in Speculative Behavior, An—O. K. Burrell—Bureau of Business Research, School of Business Administration, University of Oregon, Eugene, Ore.—Paper—50¢.

Foreign Exchange Quotations—New edition of folder listing 143 quotations of currencies of various countries throughout the world—Manufacturers Trust Co., Foreign Department, 55 Broad Street, New York 15, N. Y.

Germany and World Peace: Past Mistakes and Future Possibilities—James P. Warburg—Current Affairs Press, 25 Vanderbilt Avenue, New York 17, N. Y.—Paper—25¢.

Post War Trend in State Debt—A State-by-State Analysis—Tax Foundation, Inc., 30 Rockefeller Plaza, New York 20, N. Y.—Paper.

Should Taxes on Tangible Personalty Be Abolished—Tax Institute, Inc., 150 Nassau Street, New York 7, N. Y.—Paper—50¢.

Taxes and Economic Incentives—Lewis H. Kimmel—Brookings Institution, Washington 6, D. C.—Cloth—$2.50.

With Walston, Hoffman

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — A. P. Fantetti has joined the staff of Walston, Hoffman & Goodwin, 550 So. Spring Street. He was formerly with Akin, Lambert Co., Inc.

With Thomson & McKinnon

(Special to The Financial Chronicle)

FT. LAUDERDALE, Fla.—Allan N. Ferguson has joined the staff of Thomson & McKinnon, 333 South East First Avenue.

Two With King Merritt

(Special to The Financial Chronicle)

ST. CLOUD, Minn.—Louis M. Jacobs and Agnes M. Stieler have joined the staff of King Merritt & Co., 1211 First Street, North.

With W. H. Heagerty

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Frederic R. Stewart is with W. H. Heagerty & Co., Florida Theatre Building.

With American Funds Dist.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Robert S. Morton is with American Funds Distributors, Inc., 650 South Spring Street.

With Ryan, Sutherland

(Special to The Financial Chronicle)

SAGINAW, Mich. — Alfred J. Hamlin is now associated with Ryan, Sutherland & Co. of Toledo.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	June 4	101.5	101.8	100.2	91.8
Equivalent to—					
Steel ingots and castings (net tons)	June 4	1,934,900	1,940,600	1,910,000	1,692,300
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	May 20	5,117,250	5,118,150	5,026,100	4,959,000
Crude runs to stills — daily average (bbls.)	May 20	¶5,477,000	5,427,000	5,266,000	5,307,000
Gasoline output (bbls.)	May 20	18,580,000	18,264,000	17,652,000	18,230,000
Kerosene output (bbls.)	May 20	2,140,000	2,047,000	1,872,000	1,776,000
Gas, oil, and distillate fuel oil output (bbls.)	May 20	7,068,000	7,177,000	7,167,000	6,177,000
Residual fuel oil output (bbls.)	May 20	7,435,000	7,707,000	7,688,000	8,354,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 20	124,669,000	125,851,000	131,266,000	120,797,000
Kerosene (bbls.) at	May 20	14,648,000	13,916,000	12,433,000	20,664,000
Gas, oil, and distillate fuel oil (bbls.) at	May 20	39,432,000	38,139,000	37,121,000	54,351,000
Residual fuel oil (bbls.) at	May 20	39,330,000	39,255,000	39,767,000	62,884,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 20	743,307	*711,819	722,644	773,910
Revenue freight received from connections (number of cars)	May 20	655,938	603,854	645,920	607,843
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 25	$291,190,000	$206,029,000	$219,148,000	$173,679,000
Private construction	May 25	159,839,000	101,956,000	124,212,000	75,840,000
Public construction	May 25	131,351,000	104,073,000	94,936,000	97,839,000
State and municipal	May 25	63,579,000	91,963,000	88,113,000	72,728,000
Federal	May 25	67,772,000	12,110,000	6,823,000	25,111,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 20	9,545,000	*9,970,000	11,175,000	11,214,000
Pennsylvania anthracite (tons)	May 20	979,000	999,000	738,000	1,050,000
Beehive coke (tons)	May 20	116,400	*84,900	121,300	133,300
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	May 20	275	308	279	280
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 27	5,893,782	5,844,561	5,902,163	5,270,161
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	May 25	214	199	186	206
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 23	3.837c	3.837c	3.837c	3.705c
Pig iron (per gross ton)	May 23	$46.38	$46.38	$46.38	$45.91
Scrap steel (per gross ton)	May 23	$34.17	$32.42	$29.58	$22.08
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 24	20.200c	19.200c	19.200c	17.700c
Export refinery at	May 24	20.425c	19.600c	19.425c	17.925c
Straits tin (New York) at	May 24	78.750c	77.500c	77.000c	103.000c
Lead (New York) at	May 24	12.000c	12.000c	10.750c	13.000c
Lead (St. Louis) at	May 24	11.800c	11.800c	10.550c	12.850c
Zinc (East St. Louis) at	May 24	12.500c	12.000c	11.000c	11.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 29	102.56	102.57	102.74	101.64
Average corporate	May 29	115.82	115.82	116.02	113.31
Aaa	May 29	120.63	120.84	121.04	118.80
Aa	May 29	119.20	119.20	119.61	117.40
A	May 29	115.43	115.43	115.63	112.56
Baa	May 29	108.34	103.52	108.70	105.00
Railroad Group	May 29	110.70	111.07	111.44	108.34
Public Utilities Group	May 29	116.80	116.80	117.00	114.27
Industrials Group	May 29	120.02	120.02	120.02	117.40
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 29	2.31	2.31	2.30	2.38
Average corporate	May 29	2.86	2.86	2.85	2.99
Aaa	May 29	2.62	2.61	2.60	2.71
Aa	May 29	2.69	2.69	2.67	2.78
A	May 29	2.88	2.88	2.87	3.03
Baa	May 29	3.26	3.25	3.24	3.45
Railroad Group	May 29	3.13	3.11	3.09	3.26
Public Utilities Group	May 29	2.81	2.81	2.80	2.94
Industrials Group	May 29	2.65	2.65	2.65	2.78
MOODY'S COMMODITY INDEX	May 29	390.9	387.8	368.4	344.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 20	193,546	186,417	193,646	140,189
Production (tons)	May 20	209,234	211,915	211,568	161,307
Percentage of activity	May 20	92	93	93	77
Unfilled orders (tons) at	May 20	358,627	377,831	356,134	248,992
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	May 26	120.6	120.5	120.8	130.3
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	May 13	29,282	33,804	36,065	16,419
Number of shares—Customers' total sales	May 13	895,211	1,057,132	1,123,297	467,532
Dollar value	May 13	$38,005,059	$42,327,446	$44,370,358	$18,432,120
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	May 13	33,832	37,284	42,246	17,827
Customers' short sales	May 13	172	258	251	157
Customers' other sales	May 13	33,660	37,026	41,995	17,670
Number of shares—Customers' total sales	May 13	952,605	1,079,127	1,222,027	481,455
Customers' short sales	May 13	6,118	9,989	8,900	5,826
Customers' other sales	May 13	946,487	1,069,138	1,213,127	475,629
Dollar value	May 13	$36,163,276	$39,598,777	$43,465,265	$16,640,709
Round-lot sales by dealers—					
Number of shares—Total sales	May 13	319,910	343,520	406,100	162,770
Short sales	May 13	------	------	------	------
Other sales	May 13	319,910	343,520	406,100	162,770
Round-lot purchases by dealers—					
Number of shares	May 13	258,740	332,180	311,270	166,500
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	May 23	156.1	155.9	153.7	156.0
Farm products	May 23	165.3	164.7	160.8	172.8
Grains	May 23	170.9	172.8	170.9	164.1
Livestock	May 23	220.3	220.3	204.8	210.9
Foods	May 23	160.7	160.5	157.4	165.1
Meats	May 23	234.3	235.6	222.9	231.3
All commodities other than farm and foods	May 23	147.6	147.5	146.6	146.5
Textile products	May 23	135.6	135.4	135.3	139.4
Fuel and lighting materials	May 23	132.8	132.6	131.1	130.1
Metals and metal products	May 23	171.0	170.3	170.3	167.8
Building materials	May 23	198.5	*198.0	194.3	193.4
Chemicals and allied products	May 23	116.2	116.5	117.0	118.5

*Revised figures. ¶Includes 483,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES)—			
Production of primary aluminum in the U. S. (in short tons)—Month of March	58,747	50,668	54,852
Stock of aluminum (short tons) end of Mar.	11,628	17,885	11,786
AMERICAN GAS ASSOCIATION — For Month of March:			
Total gas (M therms)	4,215,314	4,084,481	3,295,609
Natural gas sales (M therms)	3,829,027	3,731,943	2,948,987
Manufactured gas sales (M therms)	252,601	228,769	227,127
Mixed gas sales (M therms)	133,686	123,769	119,495
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of April	†8,196,050	*7,487,036	7,796,165
Shipments of steel products, including alloy and stainless (net tons)—Month of March	5,723,340	5,134,780	6,305,631
AMERICAN TRUCKING ASSOCIATION— Month of March:			
Number of motor carriers reporting	326	*326	326
Volume of freight transported (tons)	3,491,269	*2,986,264	2,884,307
AMERICAN ZINC INSTITUTE, INC. — Month of April:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	75,877	77,946	75,921
Shipments (tons of 2,000 lbs.)	83,133	85,589	53,143
Stocks at end of period (tons)	52,520	59,776	50,982
Unfilled orders at end of period (tons)	57,486	*55,433	65,713
COAL OUTPUT (BUREAU OF MINES)—Month of April:			
Bituminous coal and lignite (net tons)	†45,698,000	52,435,000	*47,425,000
Pennsylvania anthracite (net tons)	†3,355,000	*4,882,000	3,722,000
Beehive coke (net tons)	†491,000	*254,100	639,300
COMMERCIAL STEEL FORGING (DEPT. OF COMMERCE)—Month of March:			
Shipments (short tons)	103,677	92,547	*119,839
Unfilled orders at end of month (short tons)	350,358	340,955	*503,243
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—($1935-39 Average=100) Month of April:			
Adjusted for seasonal variation	289	*274	293
Without seasonal adjustment	284	*257	295
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—month of February (000's omitted)	22,203,216	22,943,238	21,070,943
Revenue from ultimate customers—month of February	$416,129,500	$425,325,400	$389,489,400
Number of ultimate customers at Feb. 28	43,145,025	42,980,306	41,029,041
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of March:			
Contracts closed (tonnage) estimated	187,949	*114,741	149,079
Shipments (tonnage)—estimated	152,812	*128,623	185,885
GRAY IRON CASTINGS (DEPT. OF COMMERCE)—Month of March:			
Shipments (short tons)	995,782	864,189	1,074,704
For sale (short tons)	500,195	416,594	567,481
For producers' own use (short tons)	495,587	447,595	507,223
Unfilled orders for sale at end of month (short tons)	921,575	873,455	1,639,465
HOUSEHOLD VACUUM CLEANERS—STANDARD SIZE (VACUUM CLEANER MANUFACTURERS ASSN.)—Month of April:			
Factory sales (number of units)	292,664	361,014	252,656
HOUSEHOLD WASHERS AND IRONERS — STANDARD SIZE (AMERICAN HOME LAUNDRY MANUFACTURERS' ASSOCIATION)—Month of March:			
Factory sales of washers (units)	423,802	351,967	254,300
Factory sales of ironers (units)	37,800	27,600	23,800
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of April (1935-39 average=100)	†118.3	†115.3	121.0
MALLEABLE IRON CASTINGS (DEPT. OF COMMERCE)—Month of March:			
Shipments (short tons)	66,259	60,386	72,052
For sale (short tons)	38,639	31,241	38,143
For producers' own use (short tons)	27,620	29,137	33,909
Orders booked, less cancellation, for sale (short tons)	41,456	35,991	22,204
Unfilled orders, end of month, for sale (short tons)	69,866	67,049	102,379
METAL OUTPUT (BUREAU OF MINES)— Month of March:			
Mine production of recoverable metals in the United States:			
Copper (in short tons)	75,711	*67,296	‡61,783
Gold (in fine ounces)	188,493	*172,725	‡162,417
Lead (in short tons)	38,851	*34,794	‡33,669
Silver (in fine ounces)	3,793,929	*3,204,829	‡2,840,833
Zinc (in short tons)	51,703	*46,187	‡48,657
NON-FERROUS CASTINGS (DEPT. OF COMMERCE)—Shipments, month of March:			
Aluminum (thousands of pounds)	35,845	28,887	27,478
Copper (thousands of pounds)	80,442	67,029	69,714
Magnesium (thousands of pounds)	903	735	879
Zinc (thousands of pounds)	43,094	33,397	29,400
Lead die (thousands of pounds)	847	665	418
PORTLAND CEMENT (BUREAU OF MINES)— Month of March:			
Production (bbls.)	14,238,000	13,070,000	15,439,000
Shipment from mills (bbls.)	14,613,000	9,775,000	14,539,000
Stocks (at end of month) (bbls.)	23,204,000	*23,579,000	23,104,000
Capacity used	66%	67%	74%
RAILROAD EARNINGS — CLASS I ROADS (ASSOCIATION OF AMERICAN RRS.)— Month of March:			
Total operating revenues	$743,325,733	$584,927,686	$739,078,751
Total operating expenses	574,408,276	501,117,846	587,948,091
Operating ratio—per cent	77.28%	85.67%	79.55%
Taxes	$79,801,441	$55,118,342	$71,656,339
Net railway operating income before charges	75,706,315	15,236,248	66,102,660
Net income after charges (est.)	51,000,000	*Dr*9,000,000	43,000,000
STEEL CASTINGS (DEPT. OF COMMERCE)— Month of March:			
Shipments (short tons)	111,772	91,827	138,889
For sale (short tons)	77,588	62,045	102,027
For producers' own use (short tons)	34,184	29,782	36,862
Unfilled orders for sale at end of month (short tons)	185,611	165,186	284,754

*Revised. †Preliminary figures. ‡Monthly average 1949.

Continued from first page

Factors in Next Decade's Business

of the decade, the net national product ought to reach $300 billion a year in terms of present prices.

The following are some of the principal conditions that will determine the course of business in the United States during the decade of the fifties. Some of these prospects may seen pleasant; others unpleasant. In attempting to analyze the underlying influences that will affect the economy, one must avoid letting one's desires modify one's expectations, and must not delude oneself into believing that something is likely to happen simply because one would like to see it happen. No two persons, in selecting the principal conditions that will determine the course of business, would produce the same lists. Some of my expectations will undoubtedly turn out to be wrong. Nevertheless, the most important fault that I would find with the following list is that it undoubtedly omits conditions that will be important. At any rate, the following are the principal conditions that, in my judgment, will mold the course of business in the United States during the next decade.

Population and Labor Force

(1) An increase in population of probably about 12 million. This is less than the increase in population during the decade of the '40's, when the rise was 19 million, but it is greater than the increase during the decade of the '30's, when the increase was less than 9 million. Recent estimates of population increase have been wide of the mark—invariably below the reality. The estimate of 9 million may prove to be far from accurate. It assumes about a million gain from immigration, but considerably fewer births than during the '40's. The number of married couples at the beginning of 1950, however, was considerably larger than the number in 1940 — about 36 million in comparison with 28.5 million in April, 1940. But many of the children who were born in the late 1940's were children who "normally" would have been born in the '50's. They represented in considerable measure the tendency of women to marry at an earlier age. In April, 1949, approximately 17.5% of women between 15 and 19 years of age and 67.6% of women between 20 and 24 years of age inclusive were married and living with their husbands, in contrast with 11.6% and 51.3%, respectively in 1940.

(2) A rise of about 6 million, or roughly 10%, in the labor force of the country. Three principal causes will contribute to the increase in the labor force: (a) the increase in population during the early '40's and the increase from immigration; (b) the increase in the proportion of older persons at work, as the usual age of retirement rises; (c) the increase in the proportion of women at work.

(3) A considerable drop in the increase in married couples. This will be a very important change. Between 1940 and 1950 the increase in married couples was about 7.5 million. If the ratio of married women in the younger age brackets is as high in 1960 as it is in 1950, the rise in the number of married couples will be approximately 3.7 million — just about half the increase between 1940 and 1950. If the proportion of younger women who are married were to fall to about the level of 1940, there would be a very small growth in the number of married couples. The prospective drop in the increase in the number of married couples reflects largely the drop in the birthrate during the worst of the depression of the '30's. The prospective drop in the growth in the number of married couples is of great concern to the housing industry.

(4) Continuation and probably the intensification of the cold war. The continuation of the cold war is likely to mean that the total of expenditures on defense and foreign military aid will rise. Of course, a basic agreement with Russia could come before the end of ten years but there are no signs that such an agreement is in the making.

(5) The maturing of nearly $33.5 billion of Series E Government Savings Bonds between 1951 and 1959 inclusive. During the four years 1952, 1953, 1954, and 1955, these maturities will reach $20.6 billion. In addition, there will be substantial maturities of other series, particularly Series G. Most of the proceeds from the maturing Government Savings Bonds will probably be reinvested in new Government securities. A part of them, however, will undoubtedly be invested in private securities, in the bond issues of State and local governments, in housing, and, to a limited extent, in unincorporated businesses. A small part of the proceeds will be invested in consumer goods. Although it is desirable that the debt of the country be widely held, it is also desirable that there be much broader ownership of corporate industry than now exists. With the debt of the country increasing and with large maturities of E bonds ahead, perhaps it will be possible to broaden considerably the ownership of corporations and still increase the proportion of families that own Government securities. Although about 45% owned Government bonds in 1949, only about 8% owned corporate stock. Even among spending units with incomes in 1948 of $7,500 a year or more, only 36% owned common stock. The most frequent reason against holding common stock was lack of familiarity with the security.

More Farm Surpluses

(6) The growing abundance of farm products. The period of the forties was one of considerable scarcity of farm products in most parts of the world. Agricultural conditions are gradually returning to normal, and as they do, the output of farm products is increasing. At the same time, the great increase in agricultural output attained by the United States during the war will remain.

(7) Large expenditures by Federal, state and local governments to modernize the country's obsolete road system, and large expenditures by state and local governments on schools to meet the needs of the greatly increased school population. The number of trucks on the road at the present time is about 8 million, as compared with 4.4 million in 1939, and the number of passenger cars is about 36 million, as compared with 26.1 million in 1939, an increase of 82% in the number of trucks and of 38% in the number of passenger cars. The number of children less than 10 years of age in July, 1949 was 29.3 million as compared with 20.2 million in April, 1940 — an increase of 45%.

(8) Continuation of the present high rates of taxation. As employment, production, and incomes rise, the yield of present taxes will increase. But government expenditures will rise also. There seems little prospect that the yield of present taxes will rise fast enough to permit significant reductions in taxes, or even to eliminate deficits in the budgets of the national, local, and state governments.

The impossibility of making important reductions in the general level of taxes, however, does not preclude the possibility of reforms in taxes. The need for reforms is great, but few are likely to be made. The politicians are interested in excise taxes because a large proportion of people pay them. The need for reforms, however, is greatest in the case of the personal income tax and the corporate income tax. Interest in such reforms, however, is not broad enough nor keen enough to arouse much concern among the politicians. After all, only eight out of 100 spending units own stock in corporations and personal income tax problems are mainly the concern of about one-fifth of the spending units that pay 70% cent of the Federal personal income tax. Economists know that thoroughgoing reforms in the personal income tax and the corporate income tax would stimulate enterprise and thus increase the demand for labor and accelerate the rise in real wages. Trade unions would be serving the interest of their members if they were to demand tax reforms that would raise the demand for labor. Thus far unions have shown very limited interest in this subject. Indeed, some of the tax changes that have been suggested by unions would diminish the demand for labor. Eventually I expect to see unions become interested in the kind of tax reforms that would raise the demand for labor, but there are no signs that this change in thinking will come at an early date.

Rise in Public and Private Indebtedness

(9) A slow rise in the debt of the Federal Government and of the debts of the state and local governments. The expenditures of the Federal Government, the state and local governments are running somewhat ahead of their incomes. Although the yield of taxes will increase, expenditures will increase also. Consequently I expect to see a slow rise in the Federal debt and in state and local debts.

Of course, the fact that the Federal Government spends more than its income does not necessarily mean that it is "in the red" in the sense that its current expenses are more than its income. The government does not charge itself depreciation. Nor does it distinguish between capital expenditures and expenditures on current accounts. Many of the expenditures of the government are capital expenditures. Of course, the value of some of these capital expenditures is open to doubt, as Senator Douglas has demonstrated in discussing the recent Rivers and Harbors Bill. Since the government does not charge itself depreciation and do not distinguish between current expenditures and capital expenditures, the real deficts may be greater or smaller than the reported ones. In view of the fact that the Federal Government has large quantities of military and naval equipment with a short life, its real deficit is probably greater than the reported one.

Of considerable importance is the question as to whether the proportionate increase in the debts of the Federal, state, and local governments will be greater than the rise in the net national product. My guess is that the rate of increase in the Federal debt will be less than the rate of increase in the net national product, but not much less. The rate of increase in the state and local debts is likely to be greater than the rate of increase in the net national product. But these are guesses in which I do not have much faith. In the case of the Federal Government, my assumptions concerning the increase in the cost of the cold war may be too low and my assumptions concerning the increase in the yield of present taxes may be too optimistic.

(10) A fairly substantial rise in the private debt of the community from the present abnormally low levels. In 1929, there was about $1.70 of net private debt for each dollar of net national product; in 1949, there was only about 85 cents of net private debt for every dollar of net national product. In other words, the private debt burden of the economy had dropped in half. The ratio of liquid asset holdings of individuals and businesses to net private debt has also greatly increased. It is reasonable to expect people to be willing to go into debt in order to buy more goods when their private debts are so low in relation to incomes and liquid assets. Consequently, it is reasonable to expect a fairly substantial expansion of private debt in the next decade.

If building costs and the price of houses are not pushed so high that people refuse to buy, a large increase in mortgage indebtedness should occur within the next decade. Back in 1929 individuals had about 50 cents of net mortgage indebtedness for every dollar of personal income after taxes. In 1948 they had only about 27 cents of net mortgage indebtedness for every dollar of personal income after taxes. Consequently, there is room for a considerable rise in mortgage indebtedness relative to income—though I hope that much of a rise can be avoided.

(11) Moderate gains in trade union membership, but a considerably slower rise than during the last 10 years. During the last 10 years trade union membership increased by about 75%. Most of the workers who are easiest to organize are already in unions. Nevertheless, considerably less than half of the non-supervisory and non-technical employees of industry are union members. Consequently, there is much room for growth. The gains in union membership will probably be largest among the white collar workers, in retailing, and in the South.

Moderate Rise in Wages

(12) A moderate rise in the price of labor, but a slower rise than has occurred since 1945. The increase in hourly earnings in manufacturing between 1945 and 1949 was approximately 38%. In steam railroad transportation and bituminous coal mining, the increase was even greater. The unions are strong enough to continue to push up money wages and the willingness of people to go into debt and the prospective deficit in the budgets of the Federal government and the state and local governments indicate that conditions will be favorable for increasing money wages. Nevertheless, I believe that the rise in money wages will be considerably slower than it has been during the last five years.

The rise in wages will probably be sufficient to prevent the consumers of most products from getting much benefit from technological progress in the form of lower prices. Consumers, of course, will benefit from improved quality of goods. In the case of new products, there will be a rapid reduction of costs during the first few years of production, and these new products will drop in price. Television sets and some of the newer drugs illustrate the drop in the price of new products. There has been much unrealistic thinking about the prospect that technological progress will bring about a general reduction in prices. This will not happen. The gains of technological progress will go to employees in the form of higher wages, not to consumers. This philosophy is embodied in the recent General Motors contract. As a matter of fact, however, it is not new. The main effect of technological progress always has been to raise money wages rather than to bring about reductions in the prices paid by consumers.

(13) The steadily rising expenditures on industrial research and the spread of research into industries and enterprises where it has not as yet been strong. The growth of industrial research has been one of the most important developments in American industry during 30 years. Research is now well established and its value is well understood. Most of the research work, however, has been concentrated in a few industries and in a few large enterprises in these industries. Other industries and smaller concerns are awakening to the need for engaging in industrial research. The strength of the unions and the upward pressure on wages will stimulate the expansion of research.

(14) Rapid improvement and replacement of equipment in an effort to keep down labor costs. American industry has always been noted for its willingness to replace equipment which could still be used but which was less efficient than newer available equipment. Even American industry, however, has failed to make replacements as rapidly as would be desirable. In an economy with strong trade unions, dynamic equipment-replacement policies are imperative. They are bound to spread. The average life of equipment will undoubtedly go down.

Dispersion of Industry

(15) The growing dispersion of industry in order to reduce its vulnerability to attack. No individual enterprise likes to make its plans dependent upon the uncertain and somewhat remote possibility that its plant will be destroyed in war. Nevertheless, for the first time in over a century, the United States faces the possibility that the destructiveness of war will reach these shores. This possibility is bound to have some effect upon the decisions of enterprises which build new plants and expand present capacity. A slow dispersion of industry, stimulated by the possibility of war, is to be expected. Probably industry should pay more attention to the possibility of war than it has done.

(16) Continued increase in the number of economic and business statistical series that guide the decisions of businessmen and government officials and continued improvement in the quality of business and economic statistics. One of the most important characteristics of the American economy is the abundance of the statistical information that is collected and the relatively high quality of most of this information, America has pioneered in this field. It will continue to pioneer. The next 10 years will undoubtedly see a considerable increase in the regularly collected statistical series. The figures on intentions to buy are likely to be extended and improved. So also are the figures on the size and distribution of income, and on the kind of people who are in the different income brackets. Important developments will occur in the new field of money flows. One may expect also great expansion and improvement of the figures on who owns what. Well before the end of the decade, the country ought to be able to publish an annual balance sheet showing its principal assets and liabilities and showing the ownership of assets and the categories of persons and organizations responsible for various liabilities. The personal income figures will be broken down into the income of persons and the incomes of other kinds of organizations which are now lumped with persons.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

• Albuquerque (N. M.) Associated Oil Co.
May 16 (letter of notification) 82,866 shares of common stock to be offered present stockholders only at $2 per share. No underwriter. Proceeds to pay indebtedness and build up a surplus fund for oil and gas operations. **Office**—213 First National Bank Building, Albuquerque, N. M.

• Allied Electric Products, Inc., Irvington, N. Y.
May 24 filed 160,000 shares of preferred stock (par $6) and 100,000 shares of common stock (par $1), to be offered in units of one preferred share and one-half share of common at $7.50 per share; remaining 20,000 common shares at $4.50 per share. **Underwriter**—Hill, Thompson & Co., New York City. **Proceeds**—For equipment, construction, raw materials and working capital.

American Cladmetals Co. (6/5-9)
March 31 filed 480,000 shares of common stock (par $1). **Price**—$1.50 per share. **Underwriter**—Graham & Co., Pittsburgh and New York. **Proceeds**—To install additional facilities and for working capital. **Expected** next week.

American Cyanamid Co., New York
April 26 filed 498,849 shares of series B 3½% cumulative prefererd stock (par $100), which is convertible before July 1, 1960. They have been offered to common stockholders of record May 16, 1950 at the rate of one preferred share for each seven common held; rights to expire June 2. **Underwriter**—White, Weld & Co. **Price**—$102 per share. **Proceeds**—For working capital and general funds.

American-Marietta Co., Chicago
April 28 filed 50,926 shares of common stock (par $2) being offered to holders of 50,926 shares of capital stock of United Brick & Tile Co., Kansas City, to complete acquisition of this company. Offer expires Aug. 1. **Underwriter**—None. H. M. Byllesby & Co., Chicago, will serve as dealer-manager for soliciting United Brick stockholders. Statement effective May 19.

American Metal Products Co. (6/8)
May 19 filed 426,000 shares of common stock (par $2). **Price**—To be filed by amendment. **Underwriter**—Reynolds & Co. **Proceeds**—To go to selling stockholders.

American Textile Co., Inc., Pawtucket, R. I.
April 26 (letter of notification) 10,000 shares of common capital stock (par $10). **Price**—$15 per share. **Underwriter**—None. **Proceeds**—To provide additional funds. **Office**—P. O. Box 637, Pawtucket, R. I.

Ampal-American Palestine Trading Corp.
April 10 filed $3,000,000 of 10-year 3% sinking fund debentures. **Underwriter** — Israel Securities Corp., New York. **Proceeds**—To increase working capital to be used for enterprises in Israel. **Business**—Developing the economic resources of Israel.

• Arkansas Power & Light Co. (6/19)
May 23 filed $6,000,000 of first mortgage bonds due 1980 and 155,000 shares of cumulative preferred stock (par $100). **Underwriters**—to be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Equitable Securities Corp. and Central Republic Co. (jointly); White, Weld & Co.; First Boston Corp. and W. C. Langley & Co. (jointly); Lehman Brothers; Union Securities Corp.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane. Probable bidders for preferred stock: First Boston Corp. and W. C. Langley & Co. (jointly); Equitable Securities Corp.; and White, Weld & Co. (jointly); Union Securities Corp.; First Boston Corp.; Lehman Brothers. **Proceeds**—To be applied to (a) redemption on Aug 1, 1950, at $110 per share plus dividend accruals, of all the 47,609 shares of outstanding $7 preferred and 45,891 shares of outstanding $6 preferred; (b) the prepayment of $5,000,000 of 2% serial notes held by Central Hanover Bank & Trust Co.; and (c) the carrying forward of the company's construction program. **Bids**—Tentatively expected at noon (EDT) on June 19.

Arkansas Western Gas Co.
May 2 (letter of notification) 23,948 shares of common stock (par $6) to be offered at $10 per share to holders of warrants at the rate of one share for each nine now held. No underwriter. Proceeds for construction. **Office**—28 E. Center Street, Fayetteville, Ark.

Artcraft Fluorescent Corp., Brooklyn, N. Y.
May 18 (letter of notification) 30,000 shares of 7% cumulative participating preferred stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—$80,000 to repurchase Louis Solomon's 185 shares of stock and $220,000 for working capital. **Office**—248-274 McKibbin Street, Brooklyn, N. Y.

Associated Natural Gas Co., Tulsa, Okla.
March 14 (letter of notification) 2,500 shares of common stock at $100 per share. No underwriter. Proceeds to build a natural gas transmission line. **Office**—105 N. Boulder, Tulsa, Okla.

Atlas Corp.
April 26 filed 1,924,011 shares of common stock (par $5) to be issuable by corporation if all outstanding option warrants are exercised. **Underwriters**—None.

• Atlas Finance Corp., Guntersville, Ala.
May 24 (letter of notification) 725 shares of common stock and 375 shares of preferred stock, all to be sold at $100 per share. No underwriters. Proceeds for financing of automobiles.

Ballentine Grocery Stores, Easley, S. C.
May 15 (letter of notification) 1,000 shares of common stock, par value $100, to be sold to officers and directors at par ($100 per share) and 1,000 shares of 6% preferred stock, to be offered to the public at $100 per share. Underwriter — None. **Proceeds** — To improve stores and add new stores.

• Blokolgas Systems, Inc., Detroit, Mich.
May 22 (letter of notification) 240,000 shares of class A common stock, at $1.25 per share. No underwriter. Proceeds for development of the Blokolgas system of heating, installation of demonstration systems and for working capital. **Office**—70 West Alexandrine Ave., Detroit, Mich.

Bluegrass Life Insurance Co., Louisville, Ky.
March 10 (letter of notification) 100,000 shares of common stock at $2.50 per share. No underwriter. Proceeds for minimum operation capital. **Office**—Marion E. Taylor Bldg., Louisville, Ky.

Botany Mills, Inc.
May 22 (letter of notification) 1,000 shares (par $1). **Price**—At market (approximately $8 per share). **Underwriter**—Lamont & Co., Boston, Mass. **Proceeds**—To selling stockholder.

Budget Finance Plan, Los Angeles, Calif.
May 8 (letter of notification) $300,000 principal amount of series A 5% debentures of $1,000 principal amount each, with warrants attached to buy 25 shares of class B stock at from $4.25 to $4.75 per share between June 15, 1951, and Aug. 15, 1952. **Underwriter**—Morton Seidel & Co., Los Angeles. **Proceeds** — For working capital and expansion.

Bulova Watch Co., Inc.
May 10 (letter of notification) 9,090 shares of common stock (par $5). **Price**—$33 per share. **Underwriter**—None. **Proceeds**—For working capital. **Offering**—To be made to certain employees, offer to expire June 9. **Office**—630 Fifth Ave., New York, N. Y.

• C. I. T. Financial Corp.
May 25 filed 125,000 shares of common stock (no par). **Price**—To be related to the going market price on the New York Stock Exchange. **Underwriters**—Kuhn, Loeb & Co.; Dillon, Read & Co., Inc., and Lehman Brothers. **Proceeds**—To selling stockholder.

California Electric Power Co. (6/7)
May 8 filed $2,000,000 first mortgage bonds due 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Shields & Co.; Kidder, Peabody & Co. **Proceeds**—To finance in part property expenditures for 1950 and 1951. **Bids**—Will be received by company at Bankers Trust Co., 16 Wall St., New York 15, N. Y., up to 10.30 a.m. (EDT) on June 7.

Canam Mining Corp., Ltd., Vancouver, B. C.
Aug. 29 filed 1,000,000 shares of no par value common stock. **Price**—800,000 shares to be offered publicly at 80 cents per share; the remainder are registered as "bonus shares." **Underwriter**—Reported negotiating with new underwriter. **Proceeds**—To develop mineral resources. Statement effective Dec. 9. **Indefinite.**

• Central Fibre Products Co., Inc., Quincy, Ill.
May 22 (letter of notification) 4,200 shares of non-voting common stock (par $5). **Price**—$23 per share. **Underwriter**—Bosworth, Sullivan & Co., Denver, Colo. **Proceeds**—To selling stockholders.

• Christina Mines, Inc., N. Y. City
May 24 filed 400,000 shares of common stock (par 50 cents). Underwriter None. **Price**—$1 per share. **Proceeds**—For exploration on 6,435 acres of copper, gold and silver mining property in Cuba and mining and shipment of ore.

Cincinnati & Suburban Bell Telephone Co.
May 2 filed 234,856 shares of common stock to be offered stockholders of record May 26 at rate of one share for each three held; rights to expire July 3. **Price**—At par ($50 per share). **Underwriter**—None. **Proceeds**—For expansion and to reduce bank loans incurred for construction.

• Citizens Credit Corp., Washington, D. C.
May 17 (letter of notification) 1,300 shares of class B common stock. **Price**—At par (25 cents per share). **Underwriter**—None. **Office**—1707 Eye St., N. W., Washington, D. C.

Citizens Telephone Co., Decatur, Ind.
April 27 (letter of notification) 3,000 shares of 4½% preferred stock, non-convertible. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For plant additions and conversion to dial operations. **Office**—240 W. Monroe St., Decatur, Ind.

Clarostat Manufacturing Co., Inc.
May 4 (letter of notification) 44,000 shares of common stock (par $1) offered to warrant holders at $4.50 per share. No underwriter. Proceeds for working capital. **Office**—70 Pine St., New York, N. Y.

Colorado Fuel & Iron Corp. (6/2)
May 8 filed $3,000,000 of first mortgage and collateral trust 15-year sinking fund bonds, due 1964. **Underwriter**—Allen & Co. **Price**—To be filed by amendment. **Proceeds**—General funds, for property additions.

• Columbia Gas System, Inc. (6/20)
May 26 filed $110,000,000 of debentures, series A, due June 1, 1975. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Salomon Bros. & Hutzler; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—To redeem $14,000,000 of 1⅞% serial debentures and $77,500,000 of 3⅛% debentures due 1971; and $17,500,000 for construction program. **Bids**—To be invited around June 14 and opened on June 20.

• Commonwealth Natural Gas Corp., Richmond, Va.
May 26 filed an estimated 250,000 shares of common stock (par $5). **Underwriters**—Scott & Stringfellow and Anderson & Strudwick. **Price**—To be supplied by amendment. **Proceeds**—To build a pipeline, to cover financing costs and provide working capital.

Dallas Power & Light Co. (6/13)
May 10 filed $24,500,000 of first mortgage bonds, due 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers; First Boston Corp.; Union Securities Corp.; Kidder, Peabody & Co., Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Proceeds**—To retire $16,000,000 of first mortgage bonds, pay note indebtedness and for construction.

(The) Dean Co., Chicago
April 10 (letter of notification) 1,000 shares of common stock. **Price**—At par ($10 per share. **Underwriter**—Boettcher & Co., Denver and Chicago. **Proceeds**—For general corporate purposes. **Offering**—Only to residents of Illinois.

Delemar Mining & Recovery Co., Spokane, Wash.
May 1 (letter of notification) 1,600,000 shares of class A stock and 400,000 shares of class B stock. **Price**—At par (10¢ per share for both classes). No underwriter. Proceeds to set up pilot mill, buy machinery, and operate mill and mine. **Office**—237 E. Sprague Ave., Spokane, Wash.

Dome Exploration (Western) Ltd., Toronto, Canada
Jan. 30 filed $10,000,000 of notes, due 1960, with interest at 1% in the first year, 2% in the second year, and 3% thereafter, and 249,993 shares of capital stock (par $1). To be sold to 17 subscribers (including certain partners of Carl M. Loeb, Rhoades & Co., State Street Investment Corp. and State Street Research & Management Co.) **Underwriter**—None. **Proceeds**—For general funds. **Business**—To develop oil and natural gas properties in Western Canada.

• Earl Russell Marts, Inc., Dallas, Tex.
May 24 (letter of notification) leases covering 821 acres of oil and gas land at $15 per acre. No underwriters. Proceeds for drilling oil wells. **Office**—1203 National City Bldg., Dallas 1, Texas.

• El Chico Canning Co., Inc., Dallas, Tex.
May 19 (letter of notification) 50,000 shares of common stock (no par) to be sold at $5 per share. No underwriter. Proceeds for equipment and working capital. **Office**—162 Leslie St., Dallas 2, Texas.

Equitable Gas Co., Pittsburgh, Pa.
May 23 filed $3,000,000 of 20-year 3⅜% sinking fund debentures, due March 1, 1970, to be sold by The Philadelphia Co. from its present holdings. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Harriman Ripley & Co., Inc.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Glore, Forgan & Co.; Lee Higginson Corp. **Proceeds**—To retire 100,000 outstanding shares of $6 cumulative preference stock by Philadelphia Co. Expected this month.

• First Investors Corp.
May 29 filed $11,600,000 in three investment plans. **Underwriter** — None. **Price** — Instalment payments of $10 to $750 per month for 120 months or single payments in multiples of $100 for purchases over $500. **Proceeds**—For investment in stocks and bonds.

Fleetwood Airflow, Inc., Wilkes-Barre, Pa.
April 20 (letter of notification) 107,050 shares of common stock (par 50 cents). **Price**—$1 per share. **Underwriter** — None. **Proceeds** — From $79,050 for working capital, remaining $28,000 being offered to six creditors in payment of debt. **Office**—421 No. Pennsylvania Ave., Wilkes-Barre, Pa. Expected next week.

● **Front Range Mines, Inc., Denver, Colo.**
May 19 (letter of notification) 176,000 shares of common stock (par $1) to be sold at $1.25 per share, of which 110,000 are for the account of the company and 66,000 for the account of John Deerksen, President. **Underwriter**—Blair F. Claybaugh & Co., Harrisburg, Pa. **Proceeds**—To company for working capital and payment of obligations.

● **Gatineau Power Co., Ottawa, Canada (6/15)**
May 26 filed 600,000 shares of no-par common stock, to be offered by International Hydro-Electric System, first to holders of International Electric's matured and partially retired 6% debentures and then to the public. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co., and Harriman Ripley & Co., Inc., will take 340,000 shares, with an option on 260,000. **Price**—To be supplied by amendment. **Proceeds**—To be applied to retirement of all 6% debentures not exchanged. No proceeds to Gatineau.

General Radiant Heater Co., Inc. (6/1-15)
May 3 filed 170,000 shares of common stock (par 25¢). **Price**—$3 per share. **Underwriter**—Mercer Hicks Corp., New York. **Proceeds**—For plant and warehouse, advertising research, working capital, etc.

Gloeckler (H.) Associates, Inc.
May 11 (letter of notification) 30,000 shares of common stock (par $1), of which 20,000 shares are to be offered publicly at $5 per share and 10,000 shares to employees at $2.50 per share. **Underwriter**—None. **Proceeds**—For expansion program and for working capital. **Office**—155 East 44th St., New York 17, N. Y.

Gold Shore Mines, Ltd., Winnipeg, Canada
April 10 filed 500,000 shares of common stock (par $1). **Underwriter**—None. **Price**—$1.50 per share; to increase 25 cents per share for each 100,000 share block. **Offering**—To be made only in New York State for the present. **Proceeds**—For buildings, equipment and working capital. Statement withdrawn May 16.

Grant (W. T.) Co., New York City
April 3 filed 118,935 shares of common stock (par $5). No underwriter. These shares will be sold to employees from time to time under terms of an Employees Stock Purchase plan approved on April 18. **Proceeds**—To be added to general funds for corporate purposes. **Price**—Not less than $22 a share. Statement effective May 1.

Granville Mines Corp., Ltd., British Columbia, Canada
Feb. 16 filed 100,000 shares of common non-assessable stock (par 50c). **Price**—35c per share. **Underwriter**—None. **Proceeds**—To buy mining machinery and for working capital. Statement effective May 10.

Gulf Atlantic Transportation Co., Jacksonville, Florida
May 27, 1949, filed 620,000 shares of class A partic. ($1 par) stock and 270,000 shares (25c par) common stock **Offering**—135,000 shares of common will be offered for subscription by holders on the basis of one-for-two at 25 cents per share. **Underwriters**—Names by amendment and may include Blair, Rollins & Co., Inc.; John J. Bergen & Co. and A. M. Kidder & Co. on a "best efforts basis." **Price**—Par for common $5 for class A. **Proceeds**—To complete an ocean ferry, to finance dock and terminal facilities. to pay current obligations, and to provide working capital. Statement effective May 10.

Gulf States Utilities Co. (6/5)
May 3 filed $13,000,000 of 30-year first mortgage bonds, due 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Carl M. Loeb, Rhoades & Co. and Lee Higginson Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers. **Proceeds**—To finance construction program. **Bids**—Will be received at Central Hanover Bank & Trust Co., Room A, 70 Broadway, New York, N. Y., up to noon (EDT) on June 5.

● **Hartford Electric Light Co., Hartford, Conn.**
May 18 (letter of notification) 2,490 shares of common stock (par $25), to be sold to employees only. **Price**—$47 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes.

● **Hawkeye Casualty Co., Des Moines, Iowa**
May 10 (letter of notification) covering participating interest in company's profit sharing and retirement plan under which eligible employees can deposit between $30 and $300 in any one year.

● **Higgins, Inc., New Orleans, La.**
May 23 (letter of notification) 300,000 shares of common stock to be sold to present stockholders. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For general purposes. **Office**—Industrial Canal Plant, New Orleans, La.

Indiana & Michigan Electric Co. (6/19)
May 19 filed $20,000,000 of 30-year first mortgage bonds, due 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Union Securities Corp.; Harriman Ripley & Co., Inc. **Bids**—Expected to be received at noon (EDT) on June 19. **Proceeds**—To pay bank notes and for construction.

Industrial Stamping & Mfg. Co., Detroit
May 15 filed $500,000 of first mortgage 5% sinking fund bonds, due 1967, with warrants to purchase 60,000 shares of common stock. **Underwriter**—P. W. Brooks & Co., Inc., New York. **Price**—100% of principal amount. **Proceeds**—To pay mortgage, buy machinery and for additional working capital. **Business**—Stampings and assemblies for automotive, refrigeration, household appliance and other industries. To be offered in June.

NEW ISSUE CALENDAR

June 1, 1950

General Radiant Heater Co., Inc.	Common
New York Central RR. Noon (EDT)	Equip. Trust Ctfs.
Prugh Petroleum Co.	Common
Wisconsin Power & Light Co. 11:30 a.m. (CDT)	Bonds

June 2, 1950

Colorado Fuel & Iron Corp.	Bonds
Northern Indiana Public Service Co.	Common
Standard Dredging Corp.	Common

June 5, 1950

American Cladmetals Co.	Common
Gulf States Utilities Co., noon (EDT)	Bonds
Rosefield Packing Co.	Common
Television Equipment Corp.	Common
Tucker's (Mrs.) Foods, Inc.	Common
Wisconsin Electric Power Co.	Bonds & Common
Wisconsin Natural Gas Co.	Bonds

June 6, 1950

Northwestern Bell Telephone Co. 11 a.m. (EDT)	Debentures
Pennsylvania Co., noon (EDT)	Bonds
Public Finance Service, Inc.	Debentures
Rockland Light & Power Co. 11 a.m. (EDT)	Preferred

June 7, 1950

California Electric Power Co., 10:30 (EDT)	Bonds
Southern California Gas Co. 8:30 a.m. (PDT)	Bonds

June 8, 1950

American Metal Products Co.	Common

June 12, 1950

Northern Natural Gas Co. 11 a.m. (CDT)	Debentures

June 13, 1950

Dallas Power & Light Co.	Bonds
Pacific Gas & Electric Co.	Bonds
Toledo Edison Co.	Common

June 15, 1950

Gatineau Power Co.	Common
Southern Ry.	Bonds

June 19, 1950

Arkansas Power & Light Co. Noon (EDT)	Bonds & Preferred
Indiana & Michigan Electric Co. Noon (EDT)	Bonds
Louisiana Power & Light Co. Noon (EDT)	Preferred
Mississippi Power & Light Co. Noon (EDT)	Bonds & Preferred

June 20, 1950

Columbia Gas System, Inc.	Debentures
Sunray Oil Corp.	Common

June 21, 1950

American Investment Co. of Illinois	Preferred
Kansas City Power & Light Co.	Bonds

International Packers, Ltd.
May 11 filed 2,000,000 shares of common stock (par $15) and certificates of deposit for these shares which will be offered on a share-for-share exchange basis for outstanding stock in Compania Swift Internacional Sociedad Anonima Comercial, an Argentine corporation. The initial exchange offer will become effective July 19 if a minimum of 1,650,001 shares of Swift International has been tendered and accepted. No underwriter.

● **Interstate Oil & Development Co., Carson City, Nevada**
May 16 (letter of notification) 1,000,000 shares of common stock to be sold at par (10 cents per share). No underwriter. Proceeds for equipment, mineral exploration, working capital and purchase of leases, royalties or producing properties. **Office** — 215 North Carson St., Carson City, Nev.

● **Julie Javelle, Inc., Indianapolis, Ind.**
May 22 (letter of notification) 300 shares of common stock (no par) at $5 per share, and 3,000 shares of cumulative preferred stock at par ($20 per share). No underwriter. Proceeds for purchase of real estate, machinery and equipment and for operations in manufacturing and selling cosmetics. **Office** — 310 Fountain Square Bldg., Indianapolis, Ind.

● **Kachima Indian Village, Inc.**
May 18 (letter of notification) 8,000 shares of common stock to be sold at $25 per share. No underwriter. Proceeds to purchase land and construct buildings modeled after a Hopi Indian Village as a tourist attraction.. **Address**—c/o Floyd C. Whipple, President, 216 East Second St., Winslow, Ariz.

● **Kansas City Diced Cream Co., Kansas City, Mo.**
May 17 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For plant rehabilitation and working capital. **Office**—325 East 31st St., Kansas City, Mo.

Kansas City Power & Light Co. (6/21)
May 19 filed $15,000,000 of 30-year first mortgage bonds, due 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); White, Weld & Co., Shields & Co. and Central Republic Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp.; Equitable Securities Corp.; Smith, Barney & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Harriman Ripley & Co. **Proceeds**—To retire $4,822,500 of bank loans and for construction program. Stockholders will vote June 8 on approving increase in funded debt.

Kentucky Chemical Industries, Inc.
May 2 (letter of notification) 2,000 shares of cumulative preferred stock at par ($100 per share) and 6,000 shares of class B common stock at book value of about $12 per share. No underwriter. Proceeds for working capital. **Office**—Este Avenue, Cincinnati, Ohio.

● **Kipling Syndicate, Fresno, Calif.**
May 23 (letter of notification) 680 acres of oil and gas prospecting land in Arizona, to be offered in units of 40 acres each at $600 per unit. **Underwriter**—John Edward Stuler, 1406 West Van Buren St., Phoenix, Ariz. **Proceeds**—For oil prospecting and investment in additional land. **Office**—Fulton-Fresno Bldg., Fresno, Calif.

Lamston (M. H.), Inc., New York City
May 19 (letter of notification) 1,200 shares of common stock at market (approximately $9 per share). Proceeds go to selling stockholders. **Underwriters**—To be offered through Childs, Jeffries & Thorndike, New York, N. Y.

● **Libbey-Owens-Ford Glass Co.**
May 19 (letter of notification) 6,380 shares of common stock (no par) to be offered to employees at $26.25 per share. No underwriter. **Proceeds**—For general purposes.

Link-Belt Co., Chicago
April 27 filed 10,002 shares of common stock (no par) offered only to officers and employees of the company and its subsidiaries. **Underwriter**—None. **Price**—$61 per share. **Proceeds**—For working capital. Statement effective May 17.

● **Louisiana Power & Light Co. (6/19)**
May 23 filed 90,000 shares of preferred stock (par $100). **Underwriters**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co. and First Boston Corp. (jointly); Blyth & Co., Inc.; Equitable Securities Corp.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; Union Securitiesc Corp. **Proceeds**—To be used to redeem, at $110 per share plus dividend accruals, the 59,422 shares of outstanding $6 preferred stock, and for construction and other purposes. **Bids**—Tentatively expected at noon (EDT) on June 19.

● **Lumber Re-Milling Corp., Los Angels, Calif.**
May 23 (letter of notification) 48,800 shares of common stock (par $1) which have already been sold. Company is filing the statement to show that purchases have been offered refunds "for the purpose of minimizing or extinguishing possible contingent liabilities of the company under Sec. 12 of the Securities Act of 1933." No underwriter. **Address**—c/o Cannon & Callister, 650 South St., Los Angeles, Calif.

● **Magicone Corp., Chicago, Ill.**
May 18 (letter of notification) 4,000 shares of 6% cumulative convertible preferred stock (par $25) and 12,100 shares of common stock (par $1) of which 4,000 units of one preferred and one common share will be offered for cash at $26 per unit; the remaining 8,100 common shares will be exchanged for patent rights covering the right to manufacture an ice cream dispenser. No underwriter. Proceeds to develop and promote ice cream dispensers and for working capital. **Office** — 333 N. Michigan Ave., Chicago, Ill.

● **Market Basket, Los Angeles, Calif.**
May 17 (letter of notification) 25,529 shares of common stock (par 50 cents) to be offered common stockholders of record May 22 on a 1-for-10 basis. **Price**—$10 per share. **Underwriter**—None. **Proceeds**—For store fixtures, equipment, inventory and working capital. **Office**—6014 South Eastern Ave., Los Angeles 22, Calif.

Mathieson Hydrocarbon Chemical Corp., Baltimore, Md.
May 2 filed 522,667 shares of common stock (par $1), of which 466,667 shares will be offered to common stockholders of Tennessee Gas Transmission Co. up to June 14, exclusive, at the rate of one share for each 10 held as of May 25 and the remaining 56,000 shares will be offered to the Trustee of the Thrift Plan of the Tennessee Gas Transmission Co. **Price**—To stockholders $10.50 per share, to Thrift Plan Trustee, $10 per share. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co. **Proceeds**—To build, equip and operate a plant. **Business**—Manufacture of ethylene glycol and other organic chemical products.

● **Mayer (Oscar) & Co., Inc., Chicago, Ill.**
May 22 (letter of notification) 25,000 shares of common stock (par $10) to be sold to employees at $12 per share. No underwriter. Proceeds for working capital.

● **Metrogas, Inc., Chicago, Ill.**
May 22 (letter of notification) 1,344 shares of common stock (no par), to be offered to shareholders at $56.50 per share. No underwriter. Proceeds to repay obligations and purchase equipment. **Office**—22 West Monroe St., Chicago, Ill.

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Continued from page 39

Middlesex Water Co., Newark, N. J.
Feb. 9 (letter of notification) 5,200 shares of common stock offered to common stockholders of record March 17 at $50 per share on a one-for-five basis. **Underwriter**—Clark, Dodge & Co. **Proceeds**—To pay notes and for additional working capital. Expected this month.

Miller (Walter R.) Co., Inc.
March 6 (letter of notification) 1,000 shares of 6% cumulative preferred stock at par ($100 per share). **Underwriter**—George D. B. Bonbright & Co., Binghamton, N. Y. **Proceeds**—To assist in acquisition of 1216 shares of company's common stock.

● **Mississippi Power & Light Co. (6/19)**
May 23 filed $7,500,000 of first mortgage bonds due 1980 and 85,000 shares of cumulative preferred stock (par $100). **Underwriters**—To be determined by competitive bidding. Probable bidders for preferred: W. C. Langley & Co. and First Boston Corp. (jointly); Blyth & Co., Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Equitable Securities Corp. and Shields & Co. (jointly); Lehman Brothers; Union Securities Corp. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Carl M. Loeb, Rhoades & Co. and Lee Higginson (jointly); Equitable Securities Corp. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; W. C. Langley and First Boston Corp. (jointly); Union Securities Corp.; White, Weld & Co. and Kidder, Peabody & Co. (jointly). **Proceeds**—To be used to redeem at $110 per share plus dividend accruals, the outstanding 44,476 shares of $6 preferred, to pay off $3,450,000 of 2% serial notes due 1952 to 1956, and for construction and other corporate purposes. **Bids**—Tentatively expected at noon (EDT) on June 19.

Mohawk Business Machines Corp.
May 19 (letter of notification) 6,668 shares of common stock (par 10¢). **Price**—$1 per share. **Underwriter**—Jacquin, Bliss & Stanley, New York. **Proceeds**—To selling stockholder.

Nave Typographic Service, Inc., Washington, D. C.
May 16 (letter of notification) 2,170 shares of common stock to be sold at par ($1 per share) and 310 shares of voting, noncumulative, participating, preferred stock at par ($100 per share), in units of one preferred and seven common shares. **Underwriter**—None, but sales agent is J. G. Lawlor & Co. **Proceeds**—To pay expenses of incorporation, purchase assets of Nave Typographic Service and provide working capital. **Office**—1367 Connecticut Avenue N. W., Washington, D. C.

● **News Views, Inc., San Francisco, Calif.**
May 19 (letter of notification) 30 shares of 5% cumulative preferred stock (par $1,000) and 60 shares of common stock (par $1), 30 shares of preferred and 30 shares of common to be sold in units of one preferred and one common share each, at $1,001 per unit. The remaining 30 shares of common are to be sold to Ed Johnson, President, on the basis of one common share for each unit sold to the public, at $1 per share. No underwriters. Proceeds to establish a weekly news magazine, to cover corporate expenses for four months and publishing expenses for three months, to acquire printing equipment and for working capital. **Office**—1035 Russ Bldg., San Francisco, Calif.

● **Niagara Mohawk Power Corp.**
May 23 filed 189,263.1 shares of $1.20 cumulative class A stock (no par), to be offered for sale by The United Corp., New York holding company, "in ordinary brokerage transactions from time to time on the New York Stock Exchange at current market prices through regular members of such Exchange." Underwriter—None. **Proceeds**—To The United Corp.

Norlina Oil Development Co., Washington, D. C.
March 28 filed 600 shares of capital stock (no par.) To offer only sufficient shares to raise $1,000,000 at $5,000 per share. No underwriter. Proceeds to be used to explore and develop oil and mineral leases.

North Western Coal & Oil Ltd., Calgary, Ala., Canada
April 6 filed 2,200 basic units of $250 face amount each of production trust certificates, or an aggregate principal amount of $550,000, Canadian funds. **Underwriter**—Israel and Co., New York City. **Price**—$123.75 (U. S. funds) per $250 unit. **Proceeds**—For equipment, working capital and current liabilities.

Northern Illinois Coal Corp., Chicago
May 10 (letter of notification) up to 2,000 shares of common stock (no par) to be sold at the market price (between $20 and $22 per share) by T. Howard Green, a Vice-President of the company. **Underwriter**—Faroll & Co., Rogers & Tracy and Shields & Co., Chicago.

Northern Indiana Public Service Co. (6/2)
May 12 filed 422,000 shares of common stock (no par) to be offered to stockholders of record May 29 at the rate of one share for each six held. Rights expire June 19. **Underwriters** — Central Republic Co., Inc.; Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane. **Price**—To be filed by amendment. **Proceeds**—For construction.

Northern Natural Gas Co. (6/12)
May 9 filed $40,000,000 of serial debentures due 1953-1970. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co. **Proceeds**—For expansion and to repay promissory notes. **Bids**—Will be received by company, c/o Pam, Hurd & Reichmann, 231 So. La Salle St., Chicago 4, Ill., up to 11 a.m. (CDT) on June 12.

Northwestern Bell Telephone Co. (6/6)
May 5 filed $60,000,000 of 34-year debentures, due 1984. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Proceeds**—For redemption on July 14, 1950, at 104.375% of their principal amount, of $60,000,000 31-year 3¼% debentures, due 1979. **Bids**—Will be received at office of company, Room 2315, 195 Broadway, New York, N. Y., up to 11 a.m. (EDT) on June 6.

Norway Center, Inc., New York City
May 16 (letter of notification) $100,000 of 15-year 5% debentures and 1,000 shares of common stock (par $5) in units of $100 of debentures and one share of stock at $105 per unit. No underwriter. Proceeds as security on long-term commercial lease. **Office**—21 East 40th Street, New York 16, N. Y.

Ohio Oil & Gas Co.
May 5 (letter of notification) 1,100 shares of common stock now held in treasury. **Price**—50 cents per share. **Underwriter**—None. To be offered through Preston, Watt and Schoyer. **Proceeds**—Toward repayment of bank loans.

● **Ohio Valley Baking Co.**
May 22 (letter of notification) $100,000 of 10-year 4½% subordinated notes, series B., due March 15, 1960, to be issued in consideration for baking facilities. No underwriter. **Office**—371 East Fifth St., Chillicothe, Ohio.

● **Okeelanta Ranch, Inc., South Bay, Fla.**
May 24 (letter of notification) contracts for handling and feeding of cattle totaling $300,000, to be sold in units of $500 covering three head of cattle each. **Underwriter** Anco, Inc., Palm Beach, Fla. **Proceeds**—To purchase cattle, plant pastures and finance care of cattle.

Orchards Telephone Co., Orchards, Wash.
March 16 (letter of notification) 500 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To modernize plant.

Pacific Gas & Electric Co. (6/13)
May 17 filed $80,000,000 of first and refunding mortgage bonds, series T, due 1976. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Halsey, Stuart & Co. Inc.; First Boston Corp. **Proceeds**—For new construction. **Bids**—Expected June 13, 1950.

Pacific Refiners, Ltd., Honolulu, Hawaii
March 29 filed $750,000 of 6% 15-year sinking fund debentures, due 1965 and 500,000 shares of common stock (par $1) to be offered in units of $3 principal amount of debentures and two shares of common stock at $5 per unit to common stockholders of record April 14 at the rate of one unit for each share. Unsubscribed securities will be retained by the company and subject to future issuance as may be subsequently determined. No underwriter. Proceeds for construction expenditures. Company refines and markets crude oil. Statement effective May 4.

Pan American Gold Ltd., Toronto, Canada
July 20, 1948 filed 1,983,295 shares of common stock (par $1). Underwriters may be brokers. **Price**—45 cents per share. **Proceeds** — Mainly for development. Statement effective April 10, 1950.

Parlin Manufacturing Co.
May 22 (letter of notification) 10,000 shares of 5% cumulative preferred stock to be offered at par ($10 per share), each share to be accompanied by a warrant to purchase one share of series B common stock at par ($1 per share). Such option must be exercised or waived at time of subscription to preferred stock. No underwriter. Proceeds for acquisition of plant, machinery and raw materials and for working capital. **Office**—1331 Fidelity-Philadelphia Trust Building, Philadelphia 9, Pa.

Peninsular Mortgage Corp., Wilmington, Del.
May 4 (letter of notification) $230,000 of 5% bonds of $1,000 principal amount each, and $20,000 of 4% bonds of $100 principal amount each. No underwriter. Proceeds to invest in first mortgages. **Office**—1216 King St., Wilmington, Del.

Peoples Gas Light & Coke Co.
May 8 filed 116,962 shares of capital stock to be offered to stockholders of record June 5, 1950, at the rate of one new share for each seven held; rights will expire June 30, 1950. **Underwriter**—None. **Price**—At par ($100 per share). **Proceeds**—To buy additional common stock in Texas Illinois Natural Gas Pipeline Co. and to pay $10,000,000 of bank loans.

● **Pfeiffer Brewing Co., Detroit, Mich.**
May 22 (letter of notification) 20,000 shares of common stock (par $5) to be offered by a stockholder at the market price on the New York Stock Exchange, commencing about June 1, 1950. **Underwriter**—J. W. Sparks & Co., New York City.

Philip Morris & Co., Ltd., Inc.
April 28 filed 130,610 shares of 3.90% cumul. preferred stock (par $100) and 333,077 shares of common stock (par $5) being offered to common stockholders May 19 at rate of one share of common for each six shares now held and one preferred for each 15 common shares presently held; rights are to expire June 5. **Underwriters**—Lehman Brothers and Glore, Forgan & Co. **Price**—$100.75 per share for preferred and $48 for common. **Proceeds**—To reduce bank loans.

Pottstown (Pa.) Small Loan Co., Inc.
May 8 (letter of notification) $100,000 of 5% debenture bonds due July 1, 1967. **Underwriter**—None. **Price**—At par. **Proceeds**—For working capital. **Office**—213 High Street, Pottstown, Pa.

Power Petroleum Ltd., Toronto Canada
April 25, 1949, filed 1,150,000 shares ($1 par) common of which 1,000,000 on behalf of company and 150,000 by New York Co., Ltd. **Price**—50 cents per share. **Underwriters**—S. G. Cranwell & Co., New York. **Proceeds**—For administration expenses and drilling. Statement effective June 27, 1949.

Producers Life Insurance Co., Mesa, Ariz.
April 11 (letter of notification) 112,500 shares of common stock to be offered at $2 per share. No underwriter. Proceeds to secure necessary capital and surplus to form an old line legal reserve insurance company. **Office**—26 W. First Ave., Mesa, Ariz.

Provident Life Insurance Co., Bismarck, N. D.
April 19 (letter of notification) 12,500 shares of common stock (par $10) being offered directly to stockholders of record April 25 at $20 per share; rights to expire July 1. No underwriter. Proceeds to maintain the proper ratio of capital and surplus to liabilities in connection with entering the accident and health insurance field. **Office**—Broadway at Second, Bismarck, N. D.

● **Prugh Petroleum Co., Tulsa, Okla. (6/1)**
May 23 (letter of notification) 60,000 shares of common stock. **Price**—At par ($5 per share). **Underwriter** — Prugh, Combest & Land, Kansas City, Mo. **Proceeds**—For acquisition and development of oil properties. **Office**—200 Drew Bldg., Tulsa 3, Okla.

Public Finance Service, Inc. (6/6)
May 22 (letter of notification) $250,000 of 6% convertible debentures, dated June 1, 1950. **Price**—At par. **Underwriter** — None. **Proceeds** — For working capital. **Office**—18 West Chelton Avenue, Philadelphia 44, Pa.

Rand McNally & Co., Chicago
March 14 (letter of notification) 20,000 shares of common stock (par $10). **Price**—$15 per share. Underwriter—None. **Proceeds**—To be added to working capital. **Office**—536 So. Clark Street, Chicago, Ill.

Reid Brothers, Ltd., San Francisco, Cal.
April 3 (letter of notification) 10,000 shares of preferred stock. **Price** — At par ($10 per share.) **Underwriter**—None. **Proceeds**—To restore depleted stocks, buy new items and for additional working capital.

● **Richland Oil Development Co., Chicago, Ill.**
May 19 (letter of notification) 300,000 shares of common stock (par 50 cents) to be sold at $1 per share. No underwriter. Proceeds for drilling activities and payment of rentals and obligations. **Office**—1609 Roanoke Bldg., 11 So. La Salle St., Chicago, Ill.

Rockland Light & Power Co. (6/6)
May 5 filed 50,000 shares cumulative preferred stock, series A (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co.; Estabrook & Co. and Kidder, Peabody & Co. (jointly): Lehman Brothers; Harriman Ripley & Co., Inc.; Stone & Webster Securities Corp.; Union Securities Corp.; Salomon Bros. & Hutzler. **Proceeds**—To pay off short-term bank loans of $2,100,000 and for construction. **Bids**—Will be received by company at office of Simpson, Thatcher & Bartlett, 120 Broadway, New York, N. Y., up to 11 a.m. (EDT) on June 6.

● **Roper Employees Investment Co., Inc., Winter Garden, Fla.**
May 22 (letter of notification) 1,250 shares of an unspecified type of stock, to be offered at $20 per share. No underwriter. **Proceeds**—For purchase of citrus groves and repayment of obligations.

Rosefield Packing Co., Alameda, Calif. (6/5)
May 12 filed 111,700 shares of common stock (par $3), to be sold by 17 stockholders. **Underwriters**—Stephenson, Leydecker & Co., Oakland, and Barrett Herrick & Co., Inc., New York. **Price**—$8 per share. **Business**—Manufacturers of Skippy peanut butter.

● **Ryerson & Haynes, Inc., Jackson, Mich.**
May 22 (letter of notification) 4,000 shares of common stock (par $1) to be sold by officers of the company at market (approximately $14.75 per share). **Underwriter**—McDonald-Moore & Co.

Seneca Oil Co., Oklahoma City, Okla.
April 27 (letter of notification) 225,782 shares of class A stock (par 50¢). **Price**—$1.25 per share. **Underwriter**—Genesee Valley Securities Co., Rochester, N. Y. **Proceeds**—To acquire properties and for working capital.

Sentry Safety Control Corp.
May 19 (letter of notification) 132,050 shares of capital stock (par $1) **Price**—At market (approximately $1 per share). **Underwriter**—First Guardian Securities Corp. **Proceeds**—To retool machinery for inventory and working capital. There will be no public offering.

● **Shoe Corp. of America, Columbus, Ohio**
May 23 filed 4,633 shares of $4.50 cumulative preferred stock, series A (no par), to be issued as part of consideration for the common stock of Gallenkamp Stores Co. No underwriter.

Southern California Gas Co. (6/7)
May 2 filed $25,000,000 of 2⅞% first mortgage bonds, due June 1, 1980. **Underwriter**—To be decided by competitive bidding, along with the price. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lehman Brothers; Harris Hall & Co. (Inc.); White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane; the First Boston Corp.; Shields & Co.; Kidder, Peabody & Co. **Proceeds**—For construction and to reduce indebtedness owing to Pacific Lighting Corp., parent. **Bids**—Will be received up to 8:30 a.m. (PDT) on June 7 at Room 934, 810 So. Flower Street, Los Angeles 54, Calif.

● **Southern Oil Corp., Jackson, Miss.**
May 24 (letter of notification) 20,000 shares of common stock (par 1 cent) to be sold at the going market price (estimated at 50 cents per share) by a stockholder. No underwriters. **Office**—Millsaps Bldg., Jackson, Miss.

● **Standard Dredging Corp. (6/2)**
May 25 (letter of notification) 33,000 shares of common stock (par $1). **Price**—At market (approximately $3.12½ per share). **Underwriter**—None. It is anticipated that Straus & Blosser, Chicago, will be principal broker through which sale will be effected by use of facilities of Midwest Stock Exchange. **Proceeds**—To North American Industries Inc., Chicago, Ill., the selling stockholder.

Sudore Gold Mines Ltd., Toronto, Canada
June 7 filed 375,000 shares of common stock. **Price—$1** per share (U. S. funds). **Underwriter — None. Proceeds —Funds will be applied to the purchase of equipment, road construction, exploration and development.**

Sun Oil Co., Philadelphia, Pa.
May 1 filed 115,000 shares of common stock (no par) to be issued under the 1950 stock purchase plan to about 11,000 employees of the company and its subsidiaries. No underwriter. Proceeds for general funds.

Sunray Oil Corp. (6/20)
May 23 filed 750,000 shares of common stock (par $1). **Price**—To be filed by amendment. **Underwriter**—Eastman, Dillon & Co. **Proceeds**—Together with other funds from $80,000,000 of privately placed long term promissory notes, for retirement of certain outstanding capital obligations of company and Barnsdall Oil Co. pursuant to plan of merger of two companies.

Television Equipment Corp. (6/5-9)
May 19 (letter of notification) 1,120,000 shares of common stock (par 5¢) to be offered "as a speculation." **Price** — 25¢ per share. **Underwriter** — Tellier & Co. **Proceeds**—For working capital.

Toledo Edison Co. (6/13)
April 18 filed 400,000 shares of common stock (par $5). **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; W. C. Langley & Co.; Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; Smith Barney & Co.; Otis & Co. **Proceeds**—To be applied toward construction. **Bids**—Expected June 13 at noon (EDT). Statement effective May 9.

● **Triplex Corp. of America, Pueblo, Colo.**
May 18 (letter of notification) 28,571 common shares to be sold at $7 per share. T. E. Nelson, Assistant Secretary of the company, will handle the sales on a commission basis. Proceeds for working capital and payment of obligations. **Offices**—Pueblo, Colo., or 1415 Joseph Vance Bldg., Seattle, Wash.

● **(Mrs.) Tucker's Foods, Inc., Sherman, Tex. (6/5-9)**
May 23 filed 150,000 shares of common stock (par $2.50). **Price**—To be filed by amendment. **Underwriters:** A. C. Allyn & Co., Inc.; Dittmar & Co., and Rauscher, Pierce & Co., Inc. **Proceeds**—To 20 selling stockholders. Expected next week.

United Mines of Honduras, Inc.
March 16 (letter of notification) 200,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Underwriter**—Willis E. Burnside & Co., Inc., New York City. **Proceeds**—To reopen an antimony mine which produced antimony for the U. S. Metals Reserves Corp. during the war and to explore and develop the Montecillo mining properties on which company has options; to pay loans and for working capital. **Office**—North American Building, Wilmington, Del. Will be placed privately.

● **Veterans Cab Co., Inc., Washington, D. C.**
May 19 (letter of notification) 5,000 shares of 6% cumulative preferred stock at $10 per share. No underwriter. Proceeds for purchase of new cabs, purchase of accessories and parts and repairs. **Office**—310 M. Street, N. E., Washington 2, D. C.

Vieh Co., Columbus, Ohio
May 8 (letter of notification) 19,500 shares of common stock at $10 per share. **Underwriter**—The Ohio Co. **Proceeds**—To buy the assets of Brodhead-Garrett Co. and for working capital.

● **Volcano Products Corp., Seattle, Wash.**
May 5 (letter of notification) 3,100 shares of capital stock to be offered at par ($10 per share). No underwriter. Proceeds for working capital. **Office** — 4136 Arcade Building, Seattle, Wash.

● **Volume Heaters, Inc., Reno, Nev.**
May 17 (letter of notification) 200,000 shares of non-assessable common stock. **Price**—At par ($1 per share). **Proceeds**—To build 20 demonstrating units, design, equip and supervise a factory and for general business purposes. **Office**—Room 1, Biltz Bldg., Reno, Nev.

Washington Gas Light Co.
May 8 filed 30,600 shares of $4.25 cumulative preferred stock (no par) to be offered to common stockholders of record May 31, 1950, at the rate of one preferred share for each 20 common shares held; rights to expire on June 13. **Underwriter**—Johnston, Lemon & Co., Washington, D. C., and eight others. **Price**—To be filed by amendment. **Proceeds**—For corporate purposes, including construction.

Western Oil Fields, Inc., Denver, Colo.
May 5 (letter of notification) 600,000 shares of common stock and a $50,000 note carrying interest at 4% payable from percentage of oil sold. This note will carry with it as a bonus 500,000 shares of stock. **Price**—Of stock, 25¢ per share. **Underwriter**—John G. Perry & Co., Denver. **Proceeds**—To drill for oil in Wyoming and for working capital.

Western Uranium Cobalt Mines, Ltd., Vancouver, B. C., Canada
Feb. 28 filed 800,000 shares of common capital stock (par $1). **Price**—35 cents per share. **Underwriter—None. Proceeds**—Exploration and development work.

Wisconsin Electric Power Co. (6/5)
May 5 filed $15,000,000 of first mortgage bonds, due 1980, and 585,405 shares of common stock (par $10), the latter to be sold to holders of the outstanding 2,927,021 common shares at the rate of one new share for five now held. **Price** of stock to be filed by amendment. **Underwriter**—For bonds to be determined by competitive bidding. Probable bidders: Halsey Stuart & Co. Inc.; Glore, Forgan & Co. and Equitable Securities Corp. (jointly); Lehman Brothers and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane; First Boston Corp.; Union Securities Corp. and Harriman Ripley & Co., Inc. **Proceeds**—$10,850,000 for partial payment for electric properties to be acquired from a subsidiary, Wisconsin Gas & Electric Co., name changed to Wisconsin Natural Gas Co., and the balance for capital improvements. Expected June 5.

Wisconsin Natural Gas Co. (formerly Wisconsin Gas & Electric Co.) (6/5)
May 5 filed $3,500,000 of first mortgage bonds, due 1975. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Lehman Brothers; Equitable Securities Corp.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—For redemption on or about July 10, 1950, of the 33,425 outstanding shares of 4½% preferred stock at $105 per share plus accrued dividends. Expected June 5.

Wisconsin Power & Light Co.
May 8 filed 320,231 shares of common stock (par $10) being offered for subscription by stockholders at the rate of one new share for each five held on May 24; rights will expire June 12. **Price**—$16.75 per share. **Proceeds**—To finance construction program. **Underwriter**—Smith, Barney & Co. and Robert W. Baird & Co., Inc.

Wisconsin Power & Light Co. (6/1)
May 8 filed $8,000,000 of first mortgage bonds, series D, due 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Salomon Bros. & Hutzler; Equitable Securities Corp.; Lehman Brothers; Glore, Forgan & Co., Harriman Ripley & Co. and Harris, Hall & Co. (Inc.) (jointly); White, Weld & Co. and Kidder, Peabody & Co. (jointly); Union Securities Corp. **Proceeds**—To repay bank loans and for construction. **Bids**—Will be received at the office of Middle West Service Co., 20 No. Wacker Drive, Chicago 6, Ill., up to 11:30 a.m. (CDT) on June 1.

Prospective Offerings

Alabama Power Co.
May 12 company reported to be considering issue in late summer of about $10,000,000 preferred stock. Probable bidders: Morgan Stanley & Co.; Blyth & Co., Inc.; Union Securities Corp. and Equitable Securities Corp. (jointly); First Boston Corp.; Drexel & Co. Proceeds will be used for construction expenditures.

American Investment Co. of Illinois (6/21)
May 24 announced company is planning to file a registration statement about June 1 covering 160,000 shares of prior preferred stock (par $50). **Price**—To be filed by amendment. **Underwriters**—Glore, Forgan & Co.; Kidder, Peabody & Co., and Alex. Brown & Sons, and others. **Proceeds**—For additional working capital.

American Natural Gas Co.
May 18 it was announced company plans issuance of 380,607 shares of common stock (no par) to common stockholders of record on or about June 21 at rate of one share for each eight shares held. **Price**—To be filed by amendment. **Underwriters** — To be determined by competitive bidding. Probable bidders: Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Blyth & Co., Inc.; Lehman Brothers; The First Boston Corp. **Proceeds**—To increase investments in stock of Michigan Consolidated Gas Co. and Milwaukee Gas Light Co.

Associated Telephone Co.
April 21 company reported planning early registration of 175,000 shares of preferred stock, the proceeds to finance construction costs. Traditional underwriters: Stone & Webster Securities Corp.; Paine, Webber, Jackson & Curtis; Mitchum, Tully & Co.

Celanese Corp. of America
April 12 the stockholders voted to authorize the creation of 1,000,000 shares of a new preferred stock (par $100), 505,000 shares of which can be issued at any time. Plans are being formulated for the issuance this year, if market conditions are considered satisfactory, of an initial series of this new preferred stock which may be convertible into common stock. Net proceeds would be used in part for expansion of the business, including additional production facilities. Probable underwriters: Dillon, Read & Co. Inc.; Morgan Stanley & Co.

Columbia Gas System, Inc.
April 27 stockholders voted to reclassify the 500,000 shares of unissued common stock (no par) into 500,000 shares of unissued preferred stock (par $50). They also approved a proposal to amend the company's charter so as to permit the public sale of common stock without first making an offering of the shares to its own common stockholders. The company's program currently calls for the sale of $10,000,000 of additional common or preferred stock, the proceeds to be used to pay for construction costs. **Underwriters** — May be named by competitive bidding. Probable bidders: Blyth & Co., Inc.; Shields & Co. and R. W. Pressprich & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers, Goldman, Sachs & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co.

Commercial Credit Co.
March 30 stockholders approved creation of 500,000 shares of cumulative preferred stock (par $100) of which company plans to sell 250,000 shares. A group of underwriters, headed by Kidder, Peabody & Co. and The First Boston Corp., are expected to offer the stock.

Consolidated Edison Co. of New York, Inc.
May 15, Ralph H. Tapscott, Chairman, said the company will require approximately $90,000,000 of "new money" through the sale of securities. No permanent financing is contemplated before this fall, however, and current expenditures are being financed by short-term loans, of which $16,000,000 are now outstanding. It is anticipated that $257,000,000 will be needed for the construction program over the next four years. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; First Boston Corp.

Dayton Power & Light Co.
April 20, it was revealed that company plans to sell 75,000 shares of preferred stock (par $100) to finance construction, if favorable market conditions prevail. **Underwriters**—Morgan Stanley & Co.; W. E. Hutton & Co. Expected in June.

Domestic Credit Corp.
June 20 stockholders will vote, among other things, to authorize a new issue of 200,000 shares of prior preferred stock, issuable in series, and on changing name to Domestic Finance Corp. Management plans further expansion which will require additionl capital from time to time. Probable underwriters: Merrill Lynch, Pierce, Fenner & Beane, and Paul H. Davis & Co.

● **Eastern Utilities Associates**
May 23 it was announced that under a plan filed with the SEC a new company will be formed to acquire the assets of Eastern, and of the Brockton Edison Co., Fall River Electric Light Co. and Montaup Electric Co. and will issue and sell $22,000,000 of first mortgage and collateral trust bonds and $8,500,000 of preferred stock.

● **Elliott Co.**
May 26 it was reported that between 47,000 and 48,000 shares of this company's common stock may be offered some time in the near futuer through F. Eberstadt & Co.

Florida Power & Light Co.
June 9 stockholders will vote on creation of 50,000 shares of $4.50 cumulative preferred stock (par $100).

Long Island Lighting Co.
May 18 it was reported company's construction program in 1950 will cost $20,000,000 which is currently being financed by up to $12,000,000 bank loans pending permanent financing which may be done following effectiveness of consolidation plan. Probable bidders for any new securities include Smith, Barney & Co.

Lorillard (P.) Co.
April 4, Herbert A. Kent, President, said: "It may be necessary to do some financing" before Aug. 1, 1951 to redeem $6,195,450 of 5% bonds due on that date and for additional working capital to meet expanded sales volume. He added that company plans to pay off its bank loans in full by July, 1950. These loans now amount to $12,000,000. Traditional underwriters: Lehman Bros. and Smith, Barney & Co.

Macy (R. H.) & Co.
May 8 it was reported that company is considering issuance of $10,000,000 of new securities, either debentures or preferred stock. Traditional underwriters — Lehman Brothers; Goldman, Sachs & Co.

Middle South Utilities Co.
May 17 corporation made application to the SEC for authorization to offer an aggregate of 400,000 shares of its common stock to holders of the outstanding preferred stocks of its subsidiaries, Arkansas Power & Light Co., Louisiana Power & Light Co., and Mississippi Power & Light Co. Offer will not be underwritten, but company will use a dealer-manager to be selected by "competition-by-negotiation." The following may submit bids: Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; First Boston Corp.; Union Securities Corp. Deposits may be accepted between June 26 and July 14, with registration expected about June 1. (See also listings of Arkansas, Louisiana and Mississippi companies elsewhere in these columns.)

Milwaukee Gas Light Co.
April 18 reported contemplating issuance of additional securities, the proceeds of which will be used to finance $13,000,000 of first 4½s due 1967 and $2,000,000 of 7% preferred stock, to fund some $8,500,000 of bank loans, and for new construction. No definite plan has been evolved. Probable bidders—Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc.; Glore, Forgan & Co., and Lehman Brothers (jointly); Kidder, Peabody & Co.; Harriman Ripley & Co.; Smith, Barney & Co., Kuhn, Loeb & Co. and Blyth & Co., Inc. (jointly).

New England Power Co.
April 24 it was estimated that about $37,000,000 new financing will be required to pay construction costs estimated at $40,000,000 for 1950 to 1952. Present plans

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are to issue in late summer or early fall $10,000,000 bonds and 50,000 shares of preferred stock. Probable bidders: (1) For bonds—Halsey, Stuart & Co., Inc.; Harriman Ripley & Co. Inc., Lehman Brothers; Kidder, Peabody & Co. and White, Weld & Co (jointly); Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Otis & Co.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Carl M. Loeb, Rhoades & Co.; F. S. Moseley & Co.; Equitable Securities Corp.; (2) for preferred:—W. C. Langley & Co.

New England Public Service Co.

April 7 SEC authorized company to file an application to sell 200,000 shares of Public Service Co. of New Hampshire common stock or a sufficient number of shares of Central Maine Power Co. common stock to raise approximately the same amount of money. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; First Boston Corp.; Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly); The proceeds will be used to pay bank loans.

New York Central RR. (6/1)

Bids will be received by the company at 466 Lexington Ave., New York, N. Y., until noon (EDT) for the purchase from it of $11,100,000 equipment trust certificates to be dated June 15, 1950 and to mature annually from June 15, 1951 to 1965, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros & Hutzler; Harriman Ripley & Co. Inc. and Lehman Brothers (jointly).

● **New York State Electric & Gas Corp.**

May 24 it was reported company expects to sell $14,000,000 of bonds and $6,000,000 of new preferred stock in June, 1951, with an additional $10,000,000 of new securities to be sold in 1952, the proceeds to be used to pay, in part, cost of new construction estimated to total $55,800,000 in the next three years. Probable bidders for bonds and preferred: Blyth & Co., Inc., and Smith, Barney & Co. (jointly); First Boston Corp. and Glore, Forgan & Co. (jointly); Harriman Ripley & Co. Inc. Probable bidders for bonds only: Halsey, Stuart & Co. Inc.

● **Northwestern Public Service Co.**

May 26 company applied to the FPC for authority to issue 7,000 shares of 5¼% cumulative preferred stock (par $100) and not to exceed 49,200 shares of common stock (par $3). The common stock is to be offered to common stockholders on the basis of one share for each ten shares held, with the price to be filed by amendment, and A. C. Allyn & Co., Inc., underwriting the issue. An agreement has been entered into with the same bankers to place the preferred stock privately. The proceeds are to finance construction program.

Pacific Petroleum, Ltd. (Canada)

April 12 company announced it plans to file with SEC 1,000,000 additional shares of common stock shortly. Proceeds (U. S. currency) will be used for further expansion and development work in the Alberta oil field. Underwriter—Eastman, Dillon & Co.

Pacific Power & Light Co.

April 13, Paul McKee, President, disclosed that a group of 16 purchasers who acquired company's 500,000 shares of common stock from American Power & Light Co. on Feb. 6, last, have informed him of their intention to make a public distribution of these shares at earliest practical date, which may be shortly after Aug. 6. A. C. Allyn & Co., Inc. and Bear, Stearns & Co. headed this group. The 500,000 shares of common stock are being split-up on a 3½-for-1 basis, all or part of which will be publicly offered. Company also expects to raise $3,000,000 in new money later this year and a similar amount in 1951.

Pennsylvania Co. (6/6)

Bids will be received at or before noon (EDT) June 6 at office of company, 44 E. Lancaster Avenue, Ardmore, Pa., for the purchase from it of $60,000,000 collateral trust serial bonds to be dated May 1, 1950, and to mature in 25 annual instalments of $2,400,000 each from May 1, 1951 to May 1, 1975, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; First Boston Corp. and Kidder, Peabody & Co. (jointly). Proceeds to be used to buy $44,000,000 of Pennsylvania RR. general mortgage 4¼% bonds, series H, and to pay in part for 200,000 shares of Detroit, Toledo & Ironton RR. stock at $105.50 per share.

Pennsylvania RR.

May 23 company applied to the ICC for authority to issue $60,000,000 of its general mortgage 4¼% bonds, series H, to be dated April 1, 1950 and mature April 1, 1986. All or part of the bonds will be purchased by the Pennsylvania Co. and the proceeds used to pay the railroad's 15-year convertible 3¼% debenture bonds. (See also Pennsylvania Co. above.)

Public Service Electric & Gas Co.

April 17 stockholders approved the issuance of $90,000,000 new bonds for the purpose of refunding $50,000,000 3⅛% bonds due 1965; $10,000,000 3¼% bonds due 1968; $15,000,000 3% bonds due 1970 and $15,000,000 bonds due 1972. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Lehman Brothers (jointly); First Boston Corp.

Schering Corp.

May 4, it was announced that the company's entire common stock issue (440,000 shares) was expected to be registered with the SEC in the near future and offered for sale to the highest bidder by the Office of Alien Property. Probable bidders: A. G. Becker & Co. (Inc.), Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; F. Eberstadt & Co.; Allen & Co.; new company to be formed by United States & International Securities Corp.; Dillon, Read & Co.; F. S. Moseley & Co.; Riter & Co.

Southern Co.

May 11 company was reported to be planning issuance of approximately 1,000,000 additional shares of common stock late in July. Probable bidders: Morgan Stanley & Co., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; Lehman Brothers; Union Securities Corp. and Equitable Securities Corp. (jointly); Harriman Ripley & Co. Inc.

Southern Ry. Co. (6/15)

May 2 it was announced company is planning to refund $10,000,000 of its $12,474,000 St. Louis Division first mortgage 4% bonds, due Jan. 1, 1951, by issuing a like amount of new first mortgage bonds. The remaining $2,474,000 of St. Louis Division bonds would be retired from treasury funds. Invitations to bid for the new bonds will call for bids to be opened June 15. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; First Boston Corp.; Union Securities Corp. and Drexel & Co. (jointly).

Tampa Electric Co.

April 25 it was announced company plans to raise $4,700,000 in new money through sale of additional securities, the proceeds to finance in part 1950 construction expenditures.

Texas Illinois Natural Gas Pipeline Co.

May 8 it was announced that this company's financing program contemplates the sale of $90,000,000 of bonds and $12,000,000 of interim notes in addition to the sale of 1,750,000 shares of common stock (of the common stock 50% is to be purchased by Peoples Gas Light & Coke Co.). Probable bidders: (1) for bonds—Halsey, Stuart & Co. Inc.; and (2) for interim notes—White, Weld & Co. and Glore, Forgan & Co.

Tide Water Power Co.

May 4 stockholders have approved an increase in the authorized common stock to 1,000,000 shares from 500,000 shares. Traditional underwriters: Union Securities Corp.; W. C. Langley & Co.

Toledo Edison Co.

May 9 it was announced that the company plans to issue and sell $7,500,000 additional first mortgage bonds in December, 1950, and probably additional common stock sometime during 1951, the proceeds to be used to complete expansion program. This is in addition to proposed issuance of 400,000 common shares, bids for which are expected around June 13. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Kidder, Peabody & Co., White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); First Boston Corp. and Glore, Forgan & Co. (jointly); Lehman Brothers, Harriman Ripley & Co., Inc., Bear, Stearns & Co. and Carl M. Loeb, Rhoades & Co. (jointly); Smtih, Barney & Co.; Union Securities Corp.

Transvision, Inc.

May 20 it was reported that early registration with SEC is expected of 300,000 shares of common stock. Price—$2.75 per share. Underwriter—Blair F. Claybaugh & Co. Proceeds—To pay loans and for additional working capital. Offering—Expected late in June.

Utah Power & Light Co.

May 23, G. M. Gadsby, President, said company plans to sell $10,000,000 of additional first mortgage bonds through competitive bidding during the first half of October, and 166,604 additional common shares in September. The latter will be offered to present shareholders in the ratio of one new share for each eight shares held. Proceeds from the bond and stock sales will be used to repay short-term loans in connection with the company's construction program, and for carrying forward the expansion program into 1951. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Drexel & Co.; Carl M. Loeb, Rhoades & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); First Boston Corp. and Blyth & Co., Inc.; Harriman Ripley & Co Inc.; Kidder, Peabody & Co.; White, Weld & Co.; Salomon Bros. & Hutzler; Harriman Ripley & Co. Inc. Probable bidders for common: Blyth & Co., Inc.; Union Securities Corp. and Smith, Barney & Co. (jointly); Lehman Brothers; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

● **Washington Water Power Co.**

May 22 it was announced Washington P. S. Commission filed a petition with SEC asking for (a) distribution of company's capital stock to American Power & Light Co.'s stockholders, or (b) offering for sale and selling at competitive bidding all of said shares of Washington Water Power Co. held by American.

West Coast Transmission Co., Ltd.

Feb. 10 reported that Eastman, Dillon & Co. and the First Boston Corp. were ready to underwrite the financing of the 1,400 mile pipe line proposed by the West Coast Transmission Corp., along with Nesbitt, Thomson & Co., Ltd., of Montreal, Canada, and Wood, Gundy & Co. of Toronto, Canada. The financing would be divided 75% to bonds and the remainder to preferred and common stock. A large amount of the bonds are expected to be taken by life insurance companies. Arrangements will be made to place in Canada part of the securities. It is expected an American corporation will be formed to construct and operate the American end of the line in Washington, Oregon and California. The completed line, it was announced, will cost about $175,000,000.

Worcester County Electric Co.

April 25 company reported planning issuance of $10,000,000 first mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc.; Lehman Brothers; Kidder, Peabody & Co.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane.

Our Reporter's Report

The investment banking world finds itself able to look ahead to next week's substantial outpouring of new issues in a more complacent frame of mind than it might have had reason to expect a short while back.

Presumably people who had bid in a number of slow-moving deals lately, after taking a look at the forward calendar, decided the smart thing to do would be to wind up the sponsoring syndicates and let the issues involved find their own levels.

Results have justified the action and the pent-up issues, moving to levels which attracted buyers, have moved out decidedly well in most instances. Seaboard Air Line's new 3s, trading on about a 3.125 basis since dissolution of the syndicate, are moving but reported as still available.

Meanwhile bankers are looking toward the new week which promises the best crop of new issues in quite a spell. As things now shape up bids will be opened for a total of about $178,500,000 of new bonds and debentures for public utility and railroad account.

In fact June now holds promise of keeping underwriters pretty busy in advance of the on-rushing vacation season. It now looks as though upward of $500 million in new corporate securities will reach market during the month just opening.

Tuesday Banner Day

Next Tuesday will find bankers on their toes as one of the Bell System units opens bids for $60,000,000 of new debentures and the Pennsylvania Co. looks over tenders for an equivalent amount of serial bonds.

Northwestern Bell Telephone's offering comprises 34-year debentures and the opposing banking groups will be headed up by the same firms which have competed steadily for Telephone business since competitive bidding came into vogue. Proceeds will be applied to redemption of an equivalent amount of 31-year 3¼s at a premium of 4⅜%.

Pennsylvania Co.'s serials will mature in 25 equal instalments from May 1, 1951 to May 1, 1975 and probably will be sought by three groups. Proceeds will pay for $44,000,000 of Pennsylvania RR. general mortgage 4¼s and in part, for 200,000 shares of stock of Detroit, Toledo & Ironton RR.

Several Smaller Issues Due

Several smaller issues will account for the balance of the week's large turnover, including Wisconsin Electric Power Co.'s $15,000,000; Gulf States Utility's $13,000,000, and Wisconsin Natural Gas Co.'s $3,500,000 of bonds all due on Monday.

On Wednesday bankers will be competing for $25,000,000 of new Southern California Gas Co. bonds, along with $2,000,000 bonds of California Electric Power Co.

A busy week in new municipals will be topped by New York State's offerings totaling $70,310,000 in housing authority and grade crossings bonds.

Other Issues Ahead

Wisconsin Power & Light Co. was slated to open bids today for $8,000,000 of first mortgage 30-year bonds.

Meanwhile, Northern Natural Gas Co. of Omaha has received Securities and Exchange Commission authorization to market, at competitive bidding, $40,000,000 of serial debentures due 1953 to 1970. Proceeds, with $10,000,000 raised by recent sales of common stock, places the company in funds to carry through its current construction program.

A large-scale secondary operation came into view with the filing by CIT Financial Corp. of a registration statement to cover 125,000 shares of no par common stock.

The shares are outstanding and will be offered for the account of the estate of the late Henry Ittelson, one of the founders.

Continued from page 8

Uncertain Foundations Of Present Prosperity

and rising. Hence, the term compensatory finance, by which is meant the building up of budgetary surpluses in good times and the accumulation of deficits in bad. In this scheme, running a deficit becomes a positive virtue, and the considerations that historically and theoretically were urged in support of a balanced budget are thrown into the discard.

There can be little doubt that this view of government finance is attractive and plausible. It has won many converts, not only in government but also among businessmen and students. And it is fair to say that a large, and perhaps increasing, part of the American public no longer thinks in terms of balanced budgets and is inclined to view the business of balancing as an outmoded, obsolete device which, if reinstated, would do more harm than good.

What difference does it make, then, whether the budget is balanced or not? In particular, what difference does it make, when a government is practicing, or says it is practicing, the method of compensatory finance whereby a period of surplus would succeed a period of deficit, each of indeterminate length? If there is a sound answer to this question it must be sought in the records of experience, in weighing the probabilities of political behavior, and in the knowledge of how a competitive business system works.

Unpromising Outlook for Treasury Surplus

On the practice of compensatory finance we have already had a longer experience than is commonly known. We have, for example, run a surplus in financing the Federal Government in only one year from 1931 to 1950, and in that year it was almost a physical impossibility to avoid a surplus. From here on the outlook for surpluses certainly does not appear promising, even though the volume of business activity continues at unprecedented levels. Under the circumstances what becomes of the idea of a succession of surpluses balancing a succession of deficits? When are we to find business years good enough to yield budgetary surpluses? Is it not likely that a national Administration, dedicated to this modern method of public finance, will claim that business is good only, or largely, because the government is running a large deficit? What politician who feels this way about the source of good business will be willing to take the risk of doing away with both a deficit and good business at the same time? If these observations have any weight, is it not more accurate to describe the policy as one of perpetual, and not occasional, deficits?

In fact, an excellent case can be made for the persistence in this country of large annual deficits for some years to come, no matter how satisfactory business may seem in any one of these years. That sort of experience no one would claim is new in this world. If anything is firmly established in economic history it is the dire consequences which flow from perpetual deficits. One of the best known is rising prices and the declining value of money. With this one we have already had illuminating experience in the last ten years. Take, for example, the matter of old age pensions. A good deal of the agitation for larger pensions in recent years derives from the attempt to restore existing pensions to their purchasing power in 1939. The proposed increase of pensions of roughly 70%, provided in the social security bill now before Congress, would do no more than compensate pensioners for the decline in the value of money in the last decade. The experience of some foreign countries has been infinitely worse than ours. But there is no reason to believe, or hope, that fiscal malpractice will produce better results in the United States than it has elsewhere.

We are dealing, it should be pointed out, not with small budgets and small deficits, but with large ones. It makes a world of difference whether we contemplate an annual deficit commensurate with expenditures of one or even ten billions a year, or deficits commensurate with disbursements running from $40 to $45 billion. For in the latter case, no matter how large the deficit, the tax burden must necessarily also be very large. Even with the currently considerable deficits incurred by the Federal Government, the annual Federal tax take runs between $30 and $40 billion. Attempts are constantly being made to find additional sources of taxation. If to the Federal tax bill are added local taxes, direct and indirect, the total tax burden is rapidly approaching the levels prevailing in the most heavily taxed countries of the world. Whatever theory of economics or public finance we may hold, it still remains true that taxes are a burden on enterprise, individual and corporate, and the higher they go the greater the burden and the more thoroughly do they act as obstacles to enterprise.

The Tax Burden

This tax burden, moreover, is no longer borne by a small segment of the population. It is borne by everybody. As government demands for funds rise, it is inevitable that the lower income groups should supply an increasing share of them. This means that the free income of wage-earners and salary workers will constantly shrink, as it has already done by reason of payroll and withholding taxes. Of this process we have seen only the beginning. For as government expands and offers its citizens more benefits and services, they will pay for what they get by keeping a diminishing share of their incomes, which they are free to spend as they wish.

These observations about the leading and most fundamental economic policy of the government today should make one hesitate to accept the sanguine and exaggerated claims that are being made for it. It is full of risks and dangers. The chances for correcting it are better now than they will be later. But, whether it is corrected or not, the most pressing task before this Nation is to make its citizens aware of the uncertain foundations on which much of their present prosperity rests.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — There is reported to be under preparation the draft of a bill which would set up an entirely new nationwide banking system free to invest in business equities, but under the guise of a program to add small business.

This legislation is said to be in the nature of a rewrite of Title II of the President's "Small Business Act of 1950." This is the bill which the Administration wrote to carry out the recommendations made by the President in his message to Congress advocating special small business financing aids.

Title II of this proposal would set up a system of "national investment companies." These would be calved by Mother Federal Reserve, which would make all or nearly all the initial capital investment, and which would regulate them closely. There is provision in the bill for weaning these investment companies eventually by feeding them from member banks and others, but even after weaning, they will be stabled side by side with the Federal Reserve banks and branches.

The revised draft is largely secret, so it is difficult to see just what the President's bill lacks, in the opinion of those writing the new draft, that should be remedied, in the way of powers to set up a new banking and investment banking system to supplant the existing private channels for making equity money available.

While comprising part of a "small business" bill, there is no limit on the size of the loans or the size of any equity purchase, except on routine limit to capital ratios. The initial capital, the bill provides, must be "at least" $5,000,000. Presumably the ultimate capital could be ever so much more. The bill also, in somewhat dubious language, proposes some exemption of the fund-raising debentures from SEC supervision, and some special tax treatment.

Nevertheless, it is stated, the new rewrite of Title II would broaden still further the possibilities of these Reserve System-dominated investment companies. Also, it would remove a kind of loose partnership the President's bill would give the Secretary of Commerce in helping the Federal Reserve Board frame the policies for these institutions.

It is far too early for the existing investment business to get alarmed at the prospect of passage of either this as yet undisclosed proposal, or its original, Title II of the President's bill. The play still is to talk the President's bill, hold hearings thereon, but keep it short of final enactment this year. However, should Congress unexpectedly prolong the present session into the summer, then passage of some part of the President's program would become a possibility.

* * *

In last week's debate over the inclusion of language respecting possible foreign investments under Point IV, there basically was an argument between Republicans. Rep. Christian Herter was the sponsor of the idea in the ECA authorization bill that even under the so-called "technical aid" sections of Point IV, there should be written the rules of the game for protecting investments made the subject of guarantees. Herter is a Massachusetts Republican who goes farther in favor of Point IV than the rank and file of his fellow party members.

Herter's belief is that the world, as part of "technical aid," should be put on notice that it would have to be nice to U. S. investments, even if no loan guarantee were approved.

To the Senate Republicans, on the other hand, the inclusion of such language looked like a backhanded commitment in favor of the loan guarantee. As practical politics go, the inclusion of this language will be used later as an argument in favor of the loan guarantee it will be asserted that Congress has approved the thing in principle.

On the other hand, the proposed Export-Import bank loan guarantee was disclosed to be far from a probability with Congress this year.

* * *

Unless the conservatives in Congress get more steamed up than they have been, the survival of RFC does not look as good as it did a few weeks ago. Conservatives are disgusted with some of RFC's "political loans," as they refer to some recent transactions. They are so far showing few signs of moving to prevent RFC from being transferred to the Commerce Department by one of the Reorganization Act Executive orders.

If placed in Commerce, however, RFC would be subject potentially to greater pressure to make "political loans" than as an independent agency. For one thing, since all the terms of RFC directors expire June 30 by law, the Secretary of Commerce could advise the President on a new slate of nominees for the RFC board, if the latter did not do the bidding of Commerce.

* * *

There is developing a strong move to stay the execution of the President's order transferring "Fanny May" to the Housing and Home Finance Agency. This is the so-called "secondary market" for GI and FHA mortgage loans.

The drive to keep "Fanny May" in RFC is coming from the veterans lobbies. "Fanny May" has in effect been a source of primary mortgage money for GI loans, even if ultimately the agency sells out its portfolio to big pools of funds. The veterans groups are afraid that under HHFA, the access to government money for GI loans will be cut off and the direct loans to GI's sponsored by the left wing crowd won't be authorized fast enough in volume enough to make up for the void.

* * *

Edward Lee Norton, nominee to one of the vacancies on the Federal Reserve Board, is said to be well-known in leading financial circles in New York City, where he has come often as one of the trustees of the General Education Board, a Rockefeller endowment established early in this century. Mr. Norton was appointed by the Board, prior to his latest post, as the Chairman and Director of the Birmingham branch of the Federal Reserve Bank of Atlanta. He is rated as a foremost business leader of the South. Mr. Norton's appointment is to the term which became available upon the expiration of the term of Ernest G. Draper. The Board still has a vacancy remaining from the death of Lawrence Clayton.

* * *

One of the least noted pronouncements of the new Chairman of the National Security Resources Board, W. Stuart Symington, is rated as one of the most significant. Mr. Symington announced that he was going to play ball with all the existing governmental departments and agencies who might have a hand in defense planning, and not try to cook up his own plans for war mobilization planning by trying to exclude, as it were, the minority interests of the other government "stockholders" in war planning.

This will mean, of course, that Symington is likely to move a lot slower in drawing up war mobilization plans, for the constant jealousies of one bureau or department over which shall do what in case of an emergency, will involve delicate negotiations and any number of compromises.

On the other hand, if Symington moves slower, he is likely to move with more certitude. It is simply as much of a reality to a government war planner to deal with the obstacles of existing peacetime agencies as it is for a railroad engineer to figure out how to cross the mountains.

Because Arthur M. Hill, Chairman of the Executive Committee of Greyhound, and first NSRB Chairman, took his mandate seriously to set up a scheme of proposed war agencies fast and ignored the "vested interests" of the present bureaucracy, he lost out. The existing agencies stuck their knives in, and Hill found his plan rejected before he could submit it to the White House.

NSRB is a vital agency. Its job is to determine how much the civilian economy can stand in the way of diversion of manpower and materials to a war effort, and to make that decision, supported by the President. This then determines the total framework of the civilian economy in wartime, and determines the scope of the war effort.

NSRB is also the agency to plan what kind of agencies shall administer the controls of the war economy. It is in respect to the latter function, particularly, that Symington is expected to listen sympathetically to the pleas of the peacetime agencies for little chunks of the wartime business, so that they can keep their bureaus, their employees, their jobs, their pay ratings, and their prestige intact in wartime.

* * *

From now on, and for years to come, the AT&T and subsidiaries may expect a regular, constant barrage of unfavorable publicity designed to discredit the Bell system with any rural communities whenever AT&T subsidiaries attempt to extend telephone service on the edges of their areas or where they don't have exclusive franchises.

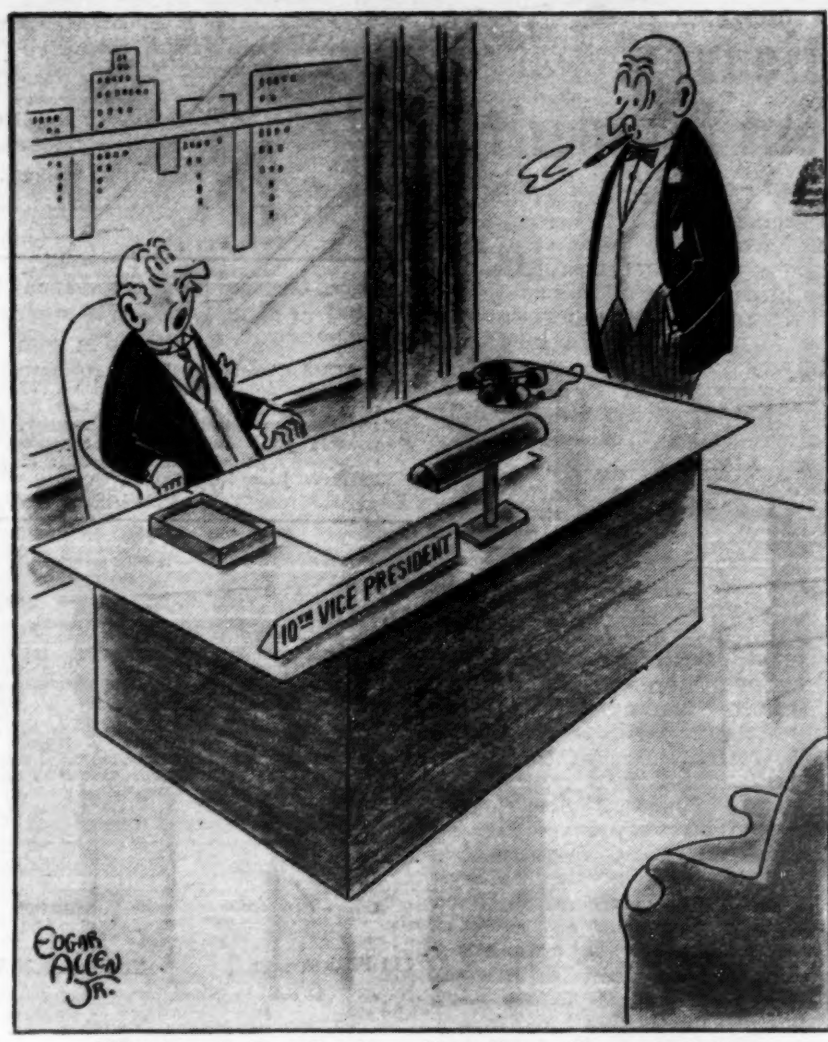
This propaganda will be to the effect that the Bell system is trying to build "spite lines" or engage in "spite operations" against REA "telephone cooperatives." The song and the words are taken bodily from the old music used by the Rural Electrification Administration in its publicly-financed campaign of more than a dozen years to discredit the privately-owned electric utilities.

REA saw in any effort of the private utilities to expand, "spite operations," and the engines of Federal propaganda were directed against them. This correspondent remembers one case in which an REA Administrator issued publicly a wire denouncing the late Wendell Willkie of Commonwealth & Southern because of some alleged "spite line" activity of a C&S utility in Michigan. Aside from the fact that Mr. Willkie would have known no more about the facts of the incident than Mr. Truman would know how many thousands of Federal employees were enjoying a hangover at public expense on any one day, the REA Administrator made public a copy of his telegram to Willkie—the telegram being a denouncement of C&S—without making public the utility head's reply.

Now REA is authorized to foster rural telephone "cooperatives" as well as rural electric "cooperatives." These are theoretically farmer-cooperatives all of whose capital is governmental, and which are free to run the business of the "cooperative" so long as every detail of their decisions is approved in Washington.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



"By jove! Pemberton, I've forgotten what I'm Vice-President in charge of!"